

# THE INDONESIAN QUARTERLY

## The Asia-Pacific in the 1990s

- Current Events
- Global Changes and Its Impact on the Asia-Pacific Region: An ASEAN View
- After the Resumption of Diplomatic Relations: Aspects of Sino-Indonesian Economic Relations
- The Security of Southeast Asia in A Changing Strategic Environment: A View from Indonesia
- Asia-Pacific Developments in the 1990s
- Pacific Growth and Energy Security in the 1990s: Indonesia's View
- Technology and Ethical Consideration of Nuclear Power
- Biotechnology: Dreams, Realities and Implications for the Third World
- Book Reviews



## The Quarterly

*The Indonesian Quarterly* is a journal of policy oriented studies published by the Centre for Strategic and International Studies (CSIS), Jalan Tanah Abang III/23-27, Jakarta 10160. It is a medium for research findings, evaluations and views of scholars, statesmen and thinkers on the Indonesian situation and its problems. It is also a medium for Indonesian views on regional and global problems. The opinions expressed in *The Indonesian Quarterly* are those of their authors and do not necessarily reflect the opinion of the CSIS.

## The Logo



To better represent the underlying ideas that gave birth to the CSIS in 1971 the Centre uses as of 1989 the logo that figures on the front cover of this journal. The original, in bronze, designed by G. Sidhartha, it consists of a disc with an engraving that depicts the globe which serves as a background to a naked man with an open book laid on a cloth over his lap, his left hand pointing into the book, his right hand raised upwards. Altogether it symbolises the Centre's nature as an institution where people think, learn and communicate their knowledge to whoever are interested, to share it with them, mankind the world over being their concern and the globe their horizon. The nakedness symbolises the open-mindedness, the absence of prejudice, in the attitude of the scholars who work with the Centre, just as it is with scholars everywhere. The inscription reads "*Nalar Ajar Terusan Budi*," which in the Javanese language essentially means that to think and to share knowledge are only the natural consequence of an enlightened mind. It is a *surya sengkala*, that is *chandra sengkala*, a Javanese traditional way to symbolise a memorable year in the lunar calendar, adapted to the solar calendar system. It consists in using words that express the perceived meaning of the commemorated year while marking the year at the same time, each word having a numerical value. Thus, the inscription, in reverse order, represents the year the CSIS was established: 1971.

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## Current Events

### Indonesia: The Business and Investment Opportunity

*J. Soedradjad DJIWANDONO*

OVER the years, the relationships between the United States and Indonesia — on the political, cultural and economic levels, have grown ever more cordial. On the economic front the American business community has made a significant and valuable contribution to the development of the Indonesian economy.

In oil exploration and production, trade, manufacturing, banking, tourism and other sectors, American companies have frequently been instrumental in leading development forward. Indonesia has greatly admired and appreciated that contribution, so much so that it wants to see economic relations between the two countries develop and prosper even further.

The Indonesian people, therefore hope that the United States will take a new look at a new Indonesia, a country whose economy has been transformed into one of the most dynamic in the Asia-Pacific. With GDP growing

at more than 7 per cent in each of the last two years — private sector investment growth of nearly 20 per cent in 1990, and the manufacturing sector alone growing at a robust 15 per cent — Indonesia offers more business and investment opportunity than ever before.

This article tries to present some of the key factors which have brought about that economic transformation and some of the misconceptions which may be held about Indonesia and which may act as a barrier to forging closer economic links between the two countries. But to provide, first, a wider background perspective, it seems necessary to draw a thumbnail sketch for those who may be less than wholly familiar with Indonesia.

Accordingly it appears that something of a misconception is still being held in many quarters including some parts of the United States. The island of Bali is part of Indonesia, and not the other way around. In fact, Bali is but one of over 13,000 islands within the largest archipelago nation in the world, stretching over more than one tenth of the equator between Southeast Asia and Australia. Indonesia spans four time zones, with a

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Address by The Honorable J. Soedradjad Djiwandono, Junior Minister of Trade of The Republic of Indonesia at a Forum for Trade, Tourism and Investment: June 1991.

width greater than the distance from Juneau, Alaska to Key West, Florida.

Indonesia has a population which, at slightly under 180 million, is the fifth largest in the world — just after that of the United States. Indonesia's GDP — at over \$100 billion — is the largest in Southeast Asia, while the total exports of near \$26 billion in 1990 make Indonesia one of the largest exporters in Asia. As a member of OPEC, Indonesia currently produces some 1.4 million barrels of oil a day, nearly a third of which is exported to the United States. Indonesia is also one of the few developing countries operating a free foreign exchange regime, allowing unhindered movement from one currency to another and the repatriation of profits at any time.

In addition to petroleum products, Indonesia is a country possessing many natural resources including coal, minerals, spices, rubber, coffee, tea and palm. These resources commodities have, at times, provided Indonesia with considerable wealth. Equally, however, they have sometimes brought economic pain due to the sheer volatility of international commodity prices. Indeed, it was the dramatic fall in oil prices in 1986 — when the price of a barrel dropped from more than \$25 to less than \$10 in just seven months and Indonesia lost 40 per cent of development revenues and some 10 per cent of GDP — which compelled the country to rapidly accelerate the process it had already begun of weaning its economy away from dependence on oil. The plain — albeit painful — realisation which it had come to as early as 1983 was that Indonesia could no longer rely on oil as the central plank of its economy. More importantly, Indonesia's very economic survival meant injecting greater international competitiveness into just about every other sector of its economy.

Indonesia recognised the need for swift

implementation of market reform measures. What had to be done was simple in theory but difficult in practice — namely, to permit more decisions to be made by the market and fewer by government bureaucracies.

One of the legacies of the bountiful revenues from oil in the 1970s and 1980s was the near all-embracing role of government in the economy — from fiscal subsidies to outright administrative interference. Cutting away "red tape" — allowing greater scope to private enterprise — and freeing its economic planner to focus on other essential reforms were among Indonesia's first priorities.

Today, the Indonesian economy present a very different picture than that of just a few years ago. The whole emphasis has been shifted. Up until the mid-1980s — as has been indicated — Indonesia relied heavily on export earnings from oil and other primary commodities. The general thrust of economic policy was largely inward-looking, focusing in the main on the domestic market through pursuit of a strategy of import substitution.

Economic reform and deregulation, complemented by prudent monetary and fiscal policies and steps to maintain a realistic real exchange rate, have substantially reduced the inefficiencies of a once high-cost economy — while also bringing about a major restructuring. From an economy once primarily reliant on oil and gas, Indonesia has moved to one increasingly driven by value-added manufacturing. Indeed, export-oriented manufacturing, underpinned by new foreign and domestic investment, has become the prime engine for growth.

Some statistics may clearly illustrate the results of Indonesia's efforts to date. To take investment first, and without including investments in petroleum and financial services, approvals by its Investment Coordinating Board (BKPM) in 1990 for fresh foreign investment surged to \$8.75 billion for over



600 projects — an 86 per cent increase over the \$4.7 billion approved in 1989 for 294 projects — and a near sixfold increase over the \$1.5 billion of approved commitments in 1987 for 130 projects.

American firms accounted for nearly \$154 million of the commitments approved last year. Since the introduction of Indonesia's Foreign Investment Act in 1967 — which reopened its economy to new investment from overseas — through to end December 1990, American enterprises had cumulatively committed nearly \$2.2 billion of investment in the country, making the US the fourth largest source of foreign investment over the years.

Today, there are no fewer than 600 multinational companies belonging to the American Chamber of Commerce. A 1990 survey among member firms carried by AMCHAM in Indonesia clearly showed that these companies plan to take greater advantage of the opportunities in Indonesia. No less than 70 per cent of those responding to the survey indicated they were meeting their profitability requirements — while 84 per cent planned to expand their businesses within the following three years. And 24 per cent rated the Indonesian investment climate as among the best in Asia.

Among the sectors benefiting from new foreign investment commitments in 1990, the hotel industry ranked fifth. That is a reflection of the growing investment interest in Indonesia's tourism industry — which in turn has been born out of many new opportunities which have opened up in this sectors of its economy. Tourism has grown to become one of Indonesia's top foreign exchange earners. Last year, the number of visitors to Indonesia was nearly 2.18 million, up by almost 40 per cent on 1989. The revenues generated in 1990 by visitors from overseas amounted to some \$2.1 billion, nearly double the \$1.28 billion

reached in the previous year.

Trade — particularly in non-oil products — has also flourished. In 1982, non-oil and gas exports amounted in value to only \$3.9 billion, with 80 per cent of total export revenues then coming from the petroleum sector. By 1990, exports from the non-oil economy had multiplied to \$14.6 billion, representing 58 per cent of total foreign exchange earnings. That percentage would undoubtedly been significantly greater but for the windfall gain to oil exports arising from the unexpectedly higher oil prices in the latter part of last year.

The writer, of course, does not want to give the impression that oil and gas are no longer important to Indonesia's economy. As an oil exporter — and as the largest supplier of natural gas in international markets — the petroleum sector remains a major contributor to foreign exchange earnings and GDP. In the Fiscal Year 1990/1991 and admittedly boosted by the higher prices referred to earlier — oil and gas exports were valued at \$12.8 billion, some 42 per cent of total exports. In 1990, the sector contributed as estimated 18 per cent to GDP. American companies continue to play a substantial role in exploration and production. Indeed, some 60 per cent of activity in the oil sector is undertaken by American firms.

Even so, it is the diversification of the Indonesian economy over recent years which has been the main source of its newfound strength and which has enabled the country to enjoy very creditable growth overall. Compared with 3.4 per cent growth in 1987, GDP grew by 5.7 per cent in 1988; 7.4 per cent in 1989; and is estimated to have expanded by 7.1 per cent last year.

What all this means is that, today, the Indonesian economy is outward-looking, relying increasingly on trade in goods for international markets as the generator of growth



and economic development. At a more fundamental level, it has involved the integration of the Indonesian economy into a rapidly changing and increasingly competitive world economy.

There is a further dimension to this which is worth noting. As mentioned earlier, Indonesia recognised the need to give freer rein to private initiative and enterprise. It is interesting to note that in its latest assessment of the Indonesian economy, the World Bank specifically highlights the strong private sector response to the Indonesian government's programme of deregulation and reform over recent years. A measure of that response is to be found in the fact that the private sector now accounts for the largest part of value-added in the economy, with some three quarters of non-oil economic activity generated by private enterprise.

For example, it is private farmers and private estates which account for nearly all agricultural output and produce over 98 per cent of agricultural value-added. It is private enterprise which now dominates in the manufacturing sector, which grew by nearly 13 per cent in 1990 and contributed more than 25 per cent to overall growth of the economy last year.

And it is the private sector which has been the dominant force behind impressive growth rates in the financial sector. Value-added for this sector is estimated to have increased by more than 10 per cent between 1982 and 1990, with assets growing by more than 20 per cent. Private enterprises have seen their share of financial sector activity increase from 35 per cent in 1982 to 42 per cent in 1990. The extensive reforms implemented in its banking system and capital markets have resulted in Indonesia having, in the words of The World Bank, "one of the most dynamic and least-distorted financial sectors in the developing world".

It is fully recognised that continued encouragement of private sector initiative and investment is of vital importance to sustaining economic progress and growth. The government is firmly committed to the process of deregulation and reform in order to maintain a climate that is conducive to business success.

That commitment was most recently reflected in the wide-ranging measures for further reform in the fields of trade and investment announced on June 3, 1991. Details of the measures will be provided to those, who are interested in having them. In the meantime — and in broad terms — what the package amounts to is:

*Firstly*, the removal of non-tariff barriers and reduction of import tariffs on literally hundreds of commodities. Nearly 900 tariff and surcharge items have been reduced and more than 300 import commodities have either been completely or partially freed from licensed importers. Indonesia's aim here is to further enhance the efficiency of its economy by reducing protection of domestic industries while at the same time lowering the costs and improving the flow of raw materials and intermediate goods to manufacturers in Indonesia;

*Secondly*, the reopening of a number of business fields — such as the commercial vehicle and heavy machinery industries, and car-component manufacture — to foreign as well as domestic investors.

This latest reform package represents a further step in the dismantling of many of the restrictive import regimes that were another legacy of the bountiful oil years. Yet even before its introduction, Indonesia was not afraid to have its trading policies subjected to impartial scrutiny.

In April of this year, Indonesia became only the tenth GATT member country to have

its trade regime examined within the framework of the GATT Trade Policy Review Mechanism. While at that time Indonesia itself recognised that there was still much to be achieved in the field of trade reform, it is nevertheless pleasing to know that, taking into account the country's circumstances and stage of development, the GATT Council was able to commend the steps which Indonesia has taken.

Looking to the wider arena of international trade, it seems necessary to underscore Indonesia's commitment to multilateral free trade. Quite frankly, its industrial export sector is far too valuable to Indonesia's economy to jeopardise by not contributing as much as the country is able toward increased world trade flows.

Indonesia is increasingly willing — and able — to meet international competition head on, and is committed to an open world trading system. For that reason — and because it now operates a substantially open economy — the protectionist sentiments and policies that appear to exist within the emerging trade grouping cannot but be of concern to the country. Indonesia, therefore, fervently hopes that all is not yet lost in finding resolutions within the Uruguay Round of GATT negotiations to the many outstanding issues which currently may progress toward a freer international trading regime.

The fact is that as the country's economy has progressed and modernised, so it has

sought to respond to the concern of the foreign investment community — particularly that in the US — regarding the protection of intellectual property. Progressively since the mid-1980s, various measures have been introduced to provide protection of, for example, copyrights on audio recordings, books, films and computer software. Measures are also in force which extend protection of intellectual property rights to individuals and corporations.

More recently — in May this year — Indonesia further improved its body of protective measures with the introduction of new regulations governing trademarks. By providing enhanced protection to the legal owners of trademarks which are well known not just in Indonesia but also overseas, greater legal certainty is afforded to investors, while consumers will more readily be protected from fraudulent and counterfeit products.

In conclusion, the economic transformation of Indonesia has thrown open — and continues to offer — countless business opportunities. Indonesia both wants and welcomes new investment from abroad. It would like to see many more American companies joining those which have already invested in this country — in resource-based industries, agribusiness, manufacturing, financial services, tourism and other sectors. Indonesia is also eager to develop and expand the trading links between the two countries to mutual benefit.



## Salary Raise and Productivity of State Employees

*Djisman S. SIMANDJUNTAK*

**B**EFORE the presentation of the 1991/1992 Draft State Budget, the salary raise for state employees had already been anticipated by some observers. And when the 1991/1992 budget year went into effect without any raise, there were still those who suggested a raise as a *Lebaran* Day ending the Fasting Period (post-Fasting Month) bonus, but even this did not materialise. Not until June 5, 1991, was a 15 per cent salary raise decided upon in a cabinet session, leaving an impact of a Rp15 trillion expenditure or almost 3 per cent of the budgeted total expenditure.

There are a great many grounds to support the raise. The salaries of the state employees had for years been left behind by the inflation. Not only the prices of foodstuffs, clothing, and houses had gone up, but fees had escalated for services like education that are now felt as primary needs and give parents headaches beginning in May of every year. The government's financial situation has improved in the last few years, due to fiscal management, and windfall in oil and natural gas in the 1990/1991 budget year in general, particularly since the outbreak of the Gulf War. The more so, because in 1989 and 1990 certain economic sectors saw a kind of boom which made wages and salaries rise. The gap between certain state employees and others, including BUMN (*Badan Usaha Milik Negara*, or State Corporation) employees, widened. In short, the argument for demanding a salary raise in the 1991/1992

budget year were not hard to mobilise. Looking for arguments against a raise were more difficult to produce, especially at least after it became known that the oil and natural gas prices had increased way beyond the level that had served as a basis for a salary increase in the 1990/1991 budget year.

No matter how many arguments were offered to support a salary raise for state employees, a few observations should be made to support salaries at their current level. *First*, the announcement of this measure was made this time through a cabinet session after the 1991/1992 State Budget had been promulgated. This observation is important, not merely because of legal considerations, but because a good State Budget must indeed be subject to certain principles. In these principles are included certain provisions of such a kind that the State Budget will be able to function as expected. Therefore the decree was issued as the one worked out on 5 June. Especially where a very important entry as the salaries of state employees is in any case a deviation from the standard process of drafting the State Budget which has been known as long as the New Order exists. The discipline of the budget which is one of the strong points of the present government must not be forgotten in evaluating the decision to raise the salaries on 5 June of last year.

*Second*, we must also note that the salary raise took place when Indonesia's economy was still faced with the impact of the 1989 and 1990 booms. The inflation of last May was indeed only 0.18 per cent. But the price changes in our economy at present do not

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The article is translated from *Suara Karya*, 6 June 1991.

reflect the real situation. Several important prices are still being controlled by the government. Raising those prices has been postponed because of non-economic considerations. If the price of fuel and the rates of electricity are raised, possibly the price index would soar. As a rule, the increase in salaries of state employees is also followed by an increase in prices because of the "psychological impact", although the segment of the state employees' income in the national revenue has actually shrunk. In other words, this time the salary raise made the task of stabilisation even more difficult when stabilisation was badly needed on account of the mounting pressure of the payment balance, as is also being reflected in the deficit of the trade balance which was announced yesterday.

*Third*, as hinted at above, the increase in expenditures as a consequence of the 5 June

decree is also in need of financing, although it is not a delicate matter this time, thanks to a "development budget reserve," which indeed need not be set aside for the development budget. Even so, this means at least that the reserve fund that can be relied on is faced with the possibility of a decrease in the prices of oil and natural gas and the commitment of foreign loans which will dwindle below the target, and must be balanced by other instruments.

On the whole, the 5 June decree is indeed satisfactory, seen from the interest of improving the welfare of the state employees, which in turn will help influence the quality of services. Nevertheless, the above observations need to be heeded. At any rate the decree will work as an obstacle to other policies, like the relaxation of the monetary policy which is demanded by the business community.

## The IGGI's Praises and the Debts

*Pande Radja SILALAH*

THE decision of the 34th annual meeting of IGGI which approved the entire request for financial aid made by Indonesia, including fast disbursing assistance, is very heartening for obvious reasons. With this commitment of IGGI, one of the main factors capable of affecting the Indonesian economy is now under control. Prior to the IGGI meeting, the course of Indonesia's economy in the future was still fraught with uncertainty, although the deci-

sion of OPEC to limit its production has given us a chance to fix the oil price above the standard price which was made the basis for planning of the 1991/1992 Draft State Budget.

As we know, the 1991/1992 Draft State Budget was designed by the government on the basis of a peace scenario, or it did not yet take the impact of the Gulf War into account. But reality showed us that the Gulf War did exercise its influence directly as well as indirectly on Indonesia's economy and this influence is still being felt. The estimates of

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The article is translated from *Suara Karya*, 14 June 1991.



certain entries in the 1991/1992 Draft State Budget will admittedly fall short of the target. Therefore, efforts to reduce the consequences of the shortfalls have to be made, or else the course of Indonesia's economy will be impeded.

Indonesia's ability to convince the donor nations to supply aid and/or loans in keeping with Indonesia's needs, is indeed an achievement; but in line with that, we ought to reflect once more upon matters connected with the creation of these debts.

## Success and Challenges

The eulogies voiced by the donor nations to Indonesia, both in the meeting and immediately after its termination, not only encouraged the managers of Indonesia's economy, but also enhanced the conviction of the public that our economy will proceed smoothly. Nevertheless these praises or flatteries should not put us off guard, because there are still quite a number of challenges we have to face.

Reality shows that some Indonesians still do not approve either partly or entirely of the government's continuous creation of debts. They offer many arguments as a basis for their disapproval, and one of the most frequently cited ones is the fear that foreign debts may reduce Indonesia's autonomy.

The disapproval of part of the public cannot be ignored, nor can it be made light of. Efforts to cope with this must be continuously made, and for this purpose Indonesia ought to always evaluate matters which are connected with the creation of these debts. Until now it can be said that the results of empirical studies that indicate that the aforementioned foreign aid affects our endeavour for national development positively, are still scarce, or at least not widely known. Parallel with the steadily improving reasoning power of the Indonesian public, and in

harmony with its increasingly critical attitude, there is an increasing need for accurate information. In this way the public will not only clearly know the benefits it can reap from foreign aid, but also the burden it will incur.

## Orientation of Aid

The statement of the Dutch Minister for Development Cooperation concurrently Chairman of IGGI on the second day of the meeting was interesting. J.P. Pronk said that the structural improvement in the living standard of the poorest sector of the Indonesian population constitutes the final target of IGGI aid. Naturally we are in agreement with the statement. And parallel to this, concrete steps should be taken to make it happen.

On the basis of the available literature, one can say that there are some countries that have failed to raise the living standard of the poorest sector of their societies, because the managers and implementors of economy in the aforementioned countries do not accurately know their society, and even carry out the recommendations of the experts or their donors. For the purpose of avoiding such a situation, it is natural that a study should be made to determine whether all of the essential factors have been taken into account in allocating the limited funds Indonesia possesses. We know that the Indonesian society has cultural elements that are quite diversified. So there is a possibility that a homogeneous approach or measure might not yield optimal results.

According to the World Bank, there are at least two areas of activities that must receive priority in the disbursement of aid. The *first* one is investment in the supply of an economic infrastructure and development of human resource capabilities. The *second* one is investment in the social field and in basic

services with as its main target the reduction of poverty.

The two areas of activities recommended by the World Bank are probably on target. The experience of the last few years has pointed out that the development of the national economy is being obstructed due to a lack of adequate infrastructure and skilled workers. The trend of investments have stagnated, e.g. because roads, electricity, water or seaports do not meet the demands. Some economic activities at present and many more in the future will be increasingly science and technology oriented; public policy measures must take this trend into account.

In today's globalisation era it may be said that the assistance of each economic unit or each country in the market will be determined by the extent of its efficiency in managing the production factors. Whereas we are mindful of this matter, the deregulation efforts that are oriented toward efficiency, including privatisation of the State Corporations, should be

consistently carried out.

Until now there is still confusion or a diversity of views concerning privatisation in Indonesia. Now is the time to put this issue into perspective. Privatisation, with the goal to increase efficiency, which is in its implementation not in conflict with the message of the 1945 Constitution, is the form of privatisation which must be carried out consistently in Indonesia. Furthermore, the efforts of privatisation should be implemented transparently. For it is by this transparency that the public will not only know the orientation of those measures, but also supervisory measures will be more and more easily implemented. In increasingly complex economic or development activities, supervision is urgently needed. Without adequate control, there is a very great possibility that all kinds of endeavours will not reach their targets effectively. And we certainly agree that the debts created at present have to be undertaken as effectively and as efficiently as possible, in order that they not become a burden for the next generation.

## Strategies for the Development of Tourism in Indonesia

H. KODHYAT \*

**N**OWADAYS tourism is the largest industry in the world. The World Tourism Organisation (WTO) recorded 390 international tourist arrivals in 1988 with international tourist receipts to-

talling one hundred and ninety-five billion US dollars. With such phenomenal figures it is not surprising that many countries turn to tourism as a source for foreign exchange earnings, particularly those in the developing world.

Tourism becomes even more attractive for

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many nations, which are very much in need of foreign exchange earnings for their national development, when they see the WTO statistics, and read that tourism is "invulnerable to recession." As shown in Table 1, the number of international tourist arrivals seems to be continuously increasing, except for 1982 with a 0.7 per cent decline compared to the number of arrivals the year before (1981).

## Prospects

On the basis of the steadily increasing trend mentioned earlier, experts in general feel optimistic that prospects for tourism in the future will remain bright. Even though the Gulf War, which broke out at the beginning of this year, caused a decline in the number of international tourists, this was

Table 1:

### NUMBER OF TOURISTS AND RECEIPTS OF INTERNATIONAL TOURISTS

Year	Visits		Receipts **)	
	Number (000)	Changes (Per cent)	Number (US\$ Million)	Changes (Per cent)
1970	159,690	+ 11.6	17,900	+ 6.6
1971	172,239	+ 7.9	20,850	+ 16.5
1972	181,851	+ 5.6	24,621	+ 18.1
OIL CRISIS I				
1973	190,622	+ 4.8	31,054	+ 26.1
1974	197,117	+ 3.4	33,822	+ 8.9
1975	214,357	+ 8.8	40,702	+ 20.3
1976	220,719	+ 3.0	44,436	+ 9.2
1977	239,122	+ 7.9	55,631	+ 25.2
1978	257,366	+ 7.6	68,837	+ 23.7
1979	273,999	+ 6.5	83,332	+ 21.1
OIL CRISIS II				
1980	284,841	+ 4.0	102,363	+ 22.8
1981	288,848	+ 1.4	104,296	+ 1.9
ECONOMIC RECESSION				
1982	286,958	- 0.7	98,598	- 5.5
1983	293,944	+ 2.4	98,338	- 0.2
1984	315,359	+ 7.3	102,482	+ 4.2
1985	332,991	+ 5.6	109,566	+ 6.9
1986	341,434	+ 5.0	129,182	+ 17.9
1987	358,569	+ 5.0	158,714	+ 22.9
1988 *)	390,000	+ 8.8	195,000	+ 22.9

Notes: \*) Provisional figures.

\*\*) Outside international flight expenses

Sources: - WTO, *Compendium of Tourism Statistics*, Seventh Edition, 1986;  
- Directorate General of Tourism.

only temporary. Some months after the Gulf War had ended, tourism began to revive.

Today, most tourism takes place in advanced countries. However visits to the developing countries, is steadily increasing, including Indonesia, as shown in Table 2. The last few years have shown that the actual

number of foreign tourist arrivals in Indonesia always exceeds government targets, as shown in Table 3.

With Indonesia's potential, in terms of its natural and environmental resources, as well as its socio-cultural aspects, the number of tourism in Indonesia should be even larger,

Table 2:

## DEVELOPMENT OF FOREIGN TOURISTS VISITS TO INDONESIA 1968 - 1989

Year	Number of Tourists	Changes (Per cent)	Receipts of Foreign Currency (US\$ Million)
1968	52,400		
		PELITA I	
1969	86,100	+ 64.3	10.8
1970	129,319	+ 50.2	16.2
1971	178,781	+ 38.2	22.6
1972	221,195	+ 23.8	27.6
1973	270,303	+ 22.2	33.8
		PELITA II	
1974	313,452	+ 16.0	54.4
1975	366,293	+ 16.9	62.3
1976	401,237	+ 9.5	70.6
1977	433,393	+ 8.0	81.3
1978	468,614	+ 8.1	94.3
		PELITA III	
1979	501,430	+ 7.0	188.0
1980	561,170	+ 11.9	289.0
1981	600,151	+ 6.9	309.1
1982	592,046	- 1.4	358.8
1983	638,855	+ 7.9	439.5
		PELITA IV	
1984	700,910	+ 9.7	519.7
1985	749,351	+ 6.9	525.3
1986	825,035	+ 10.1	590.5
1987	1,060,347	+ 28.5	954.3
1988	1,326,800	+ 25.1	1,060.8
		PELITA V	
1989	1,625,965	+ 22.5	1,284.0
1990	2,177,566	+ 33.9	2,105.3

Note: *PELITA* = Five-Year Development Plan.

Source: General Directorate of Tourism.



especially if it is compared to its neighbours, Singapore, Malaysia, and even Thailand. Even though Indonesia has a lot more to offer the tourist, those countries currently receive more tourists (see Table 4). The prospect for increasing tourism in Indonesia is bright, provided the right marketing strategies are applied.

## Marketing

According to observations by the Institute for Indonesia Tourism Studies (LSPI = *Lembaga Studi Pariwisata Indonesia*), marketing strategies for Indonesian Tourism abroad are aimed at the promotion of foreign tourism industry and the target market is the Group Inclusive Tours (GIT). This strategy is based

Table 3: ..

TARGET & REALISATION  
TOTAL OF FOREIGN TOURISTS TO INDONESIA, 1987-1990

Year	Target	Realisation	Achievement (Per cent)
1987	1,013,300	1,060,347	104.6
1988	1,250,000	1,326,800	106.1
1989	1,440,000	1,625,965	112.9
1990	1,660,000	2,177,566	131.2
1991	1,910,000		
1992	2,200,000		
1993	2,500,000		

Source: Department of Tourism, Post, and Telecommunication.

Table 4:

TOTAL OF INTERNATIONAL TOURISTS TO ASEAN SUBREGIONS 1979 - 1989

Year	Indonesia	Malaysia	Philippines	Singapore	Thailand	Brunei
1979	501,430	771,662	966,873	2,247,091	1,591,455	-
1980	561,178	895,104	1,008,159	2,562,005	1,850,801	25,448
1981	600,150	1,005,523	938,953	2,828,622	2,015,615	25,852
1982	592,046	1,129,319	890,907	2,956,690	2,218,429	32,534
1983	638,855	1,138,521	860,550	2,853,577	2,191,003	35,063
1984	700,090	1,997,557	816,712	2,991,430	2,346,709	42,521
1985	749,351	2,906,331	773,074	3,030,970	2,438,270	-
1986	825,035	3,027,781	781,517	3,191,058	2,818,092	-
1987	1,060,347	3,146,266	794,700	3,678,809	3,482,958	410,620
1988	1,286,371	3,374,433	1,023,000	4,100,000	4,000,000	420,000
1989	1,625,965	3,953,773	1,189,719	4,829,950	4,809,508	
1990	2,177,678					

Sources: 1. Directorate General of Tourism  
2. ASEAN Tourism Forum 1989

on the aim of the government to increase foreign exchange earnings.

To increase foreign exchange earnings, the government directs its marketing efforts toward wealthy tourists who form the target market, in particular those travelling in group tours set up by travel agencies. It is assumed that these tourists (the GITs) will bring in more foreign currency compared to the individual tourists, generally referred to as foreign individual traveller (FIT).

On the basis of these assumptions, the promotion target is more focussed on travel agencies, namely tour operators and/or foreign wholesalers abroad. It is for this reason also that the government, c.q. the Department of Tourism, Post and Telecommunication and the Directorate General of Tourism encourage investments in big four-starred and five-starred hotels.

## GIT vs FIT

According to the LSPI, the marketing strategy should be left to the tourism industry sector, because it is more oriented toward the GITs and will obtain the largest benefit from them. Meanwhile the assumption that the GITs will bring in more foreign currency compared to the FITs, actually needs more careful examination. Unfortunately the research conducted by the Department of Tourism, Post and Telecommunication still has a lot of shortcomings and weaknesses, so that it is difficult to conduct an accurate study.

According to the 1990 *Statistical Report on Visitor Arrivals to Indonesia* compiled by the Department of Tourism, Post and Telecommunication, the number of foreign tourists visiting Indonesian in 1990 was 2,177,566 (see Table 2), they stayed 11.8 days on average and spending of US\$966.81. The average spending of foreign visitors to

Indonesia was US\$178 per day. In general the average spendings of group tourists (GITs) are larger than those of individual tourists (FITs). On the other hand, the average stay of GITs is far shorter than that of FITs.

Regrettably, neither the Department of Tourism, Post and Telecommunication, nor the Central Bureau of Statistics, have as yet conducted research on the average duration of stay and the average spendings for each type of tourist, so that it is difficult to know the amount of foreign exchange they generate. According to the estimate of the LSPI, the amount is about the same, because the smaller spending of the FITs are compensated for by the fact that they stay longer in Indonesia.

## Leaks

It is clear, however, that part of the receipts of foreign currency from GIT tourists are absorbed again abroad because of the following reasons. In general, GIT tourists stay in four-starred or five-starred hotels. These hotels are usually grouped in an international hotel chain, such as the Hyatt, Hilton, Sheraton, Inter-Continental, which now are developing in Indonesia, on the basis of either management contracts or franchises.

There are also large four-starred and five-starred hotels in Indonesia which are not grouped in an international hotel chain. Nevertheless these hotels employ foreigners, mainly for the positions of General Manager, Marketing Manager and chef. These people are highly paid in dollars. Thus part of the tourists' spendings for accommodation are reabsorbed by foreign countries in the form of management fees or franchises, salaries of the General Manager, Marketing Manager and chef.

This kind of large hotel, whether amal-



gamated in an international chain or not, commonly uses imported material or goods for cutlery, equipment (washing machines, ovens and other kitchen utensils), and food plus beverages. Since the target market is foreign tourists, high promotion expenses are involved. These too cause foreign currency leaks.

It is difficult to estimate the number of leaks. Some quote a rate of 11 per cent, but according to the observation of the LSPI, the rate is closer to 50 per cent. On the other hand, FIT tourists usually stay in three-starred or even more modest hotels. Many stay in non-starred accommodations, which are not part of an international hotel chain, do not serve imported food, and do not carry out foreign promotion, so that all the funds remain in Indonesia. In other words, no leaks occur.

The Gulf War has also shown positive aspects in the category of FIT tourists. According to the observation of the LSPI, the Gulf War had an impact on the large hotels because the number of GIT tourists declined drastically. The small hotels continued to be booked. Therefore, considering all these factors, according to the LSPI, the government should develop a more accurate marketing strategy. It should be more orientated towards target markets (not through travel agencies), by increasing the dissemination of communicative and informative Indonesian travel material.

## Basic Concept

According to the LSPI, what is more important than the planning and formation of marketing strategies is the concept of Indonesian tourism development itself. The governmental motivation for the promotion of tourism is the increase of foreign exchange earnings. If this kind of orientation is adhered to by commercial tourist corporations, this is

only natural. Unfortunately this kind of orientation adhered to by the government has led the development of tourism to predominantly emphasising the commercial aspect.

As the commercial aspect becomes most dominant, tourism development in Indonesia has become exploitative with regard to natural as well as human resources. As a consequence, negative impacts occur in the form of a degradation in environmental quality and socio-cultural values, more often than not, even of moral and human values, including the eviction of the population from their land.

According to the LSPI, the development of Indonesian Tourism should be supported by a basic concept, in accordance with the objectives of National Development, namely to create a just and prosperous society in accordance with the ideals of the struggle for liberty, or to develop the Indonesian man as a totality, as prescribed in the Guidelines of State Policy (GBHN).

With this basic concept, tourism is a means to increase: (a) the quality of community life, especially the local community; (b) the quality of the environment; (c) the quality of the relationship among people, in order to foster better mutual understanding, solidarity and friendship.

## The Problem of Land

Tourism should take into account the three main objectives mentioned earlier. The programme covers a very wide scope: economy, construction, lay-out, law, management of natural and human resources, education, training, etc.

With regard to the acceleration of national development and creation of infrastructure and tourist facilities, problems related to land will increase, especially in the regions outside Java. If this land problem is not solved



in a prudent way, social imbalances will occur, which may result in unrests, tensions, and even social conflicts. The victims will be the common people.

The main cause is that tourism is infringing on property rights based on the Indonesian dual legal system, namely positive law based on the western legal system, and the law, which is still effective and is observed by the local community based on traditional law. According to traditional law, communities own the land, not the individual members of the traditional community. The individuals have the right of use (*hak ulayat*) on the land as a source for their living. If the land is left unattended that person loses his or her right to use it and the land again becomes community property.

Traditional law is still recognised as legal. The Agrarian Law stipulates that land is owned by the government, i.e. the government has the right to decide on the use of the land for the benefit of the society such as, tourism, industrial areas, residences areas, which is not the right of ownership.

## Impoverishment

So far, in practice land is bought by the government or by individual investors to manage on the basis of the *ulayat* right. Apart from the adequacy of the compensation provided, according to traditional law, the government or individual does not have the right to transfer the ownership of the land to any other party. Only the traditional community concerned has this right.

Besides breaking up the integrity of traditional land, the aforementioned practices also have other negative impacts on the local community. For instance, the amount of compensation received by each individual will be spent for consumptive purposes because there is no guidance and constructive advice in-

involved. After all the money has been spent, the people can no longer support their living because the land, which has so far supported them is now controlled by another party. As a consequence the community is impoverished and urbanisation follows, causing new problems.

## East Biak

In connection with the negative impacts mentioned earlier, the Department of Tourism, Post and Telecommunication, has now introduced a new policy, especially in the development of tourism destinations which have been cleared lately, among others at East Biak, Irian Jaya, on an area of 325 hectares.

According to information gathered by the LSPI, in order to develop these tourism sites, the government has established a corporate body, following the model of the Bali Tourism Development Corporation (BTCD) with the status of state owned corporation (BUMN). This corporation (BTCD) buys land from the community, processes it, builds the infrastructure needed for a tourism site, divides it into several plots according to planning, and invites investors to construct hotels on the basis of a contract.

Unlike the method used by BTCD in Nusa Dua, Bali, land which will be constructed for tourism in other regions (including East Biak, Irian Jaya) has not been completely bought by the BUMN concerned, but 50 per cent has been paid in cash, while the other 50 per cent has been given in shares, serving as capital for the community's participation in the BUMN concerned.

Estimation of the land value differs; at Batam Island it was estimated at Rp200.00 per square metre, while at East Biak it was estimated to be Rp400.00 per square metre. Even though some parties consider this



pattern of community participation an improvement, the LSPI still doubts whether this mechanism will benefit the local community.

## Examples of Problems

As mentioned earlier, it is likely that the money received by the community as compensation, to the amount of Rp200.00 per square metre (50 per cent from the Rp400.00 per square metre), will be spent on consumer goods. As for the shares which are supposed to be given to the community, it appears they are being held and controlled by the local government.

Another problem is that land that is destined to become a tourist site in East Biak belongs to fishermen. By using this location for tourism, the fishermen will move some kilometres to the west, where they will have less access to the sea.

There is another matter that may create problems in the future. Aside from accommodation and other tourism facilities, in the East Biak tourism site a golf course is stated to be built. The size of this golf course has not been revealed. To maintain a standard-sized golf course of 150 hectares, requires 3,000 cubics of water a day. Given Biak's porous soil, the development of a tourism site and a golf course will produce a competition for water with the local community, especially during the dry season. On top of all these, the problem of land ownership is the most serious one.

## Suggestions

On the basis of the considerations mentioned earlier, the LSPI believes that the land owned by the traditional community of East

Biak, as well as similar communities elsewhere, should *not* be sold, neither in the form of cash nor shares. A more reasonable alternative would be a 30-year loan, in accordance with an agreement between the investors (BTCD) and the traditional community. Payments should be made every ten years adjusting the price as necessary. The amount of Money accrued should be deposited in a bank while the interest should be used to improve the living standards of the local community, for example, through the establishment of health centres, schools, places of worship, and other needs identified by the community.

As marine tourism will be developed in the eastern parts of Indonesia, including Irian Jaya, and especially the region of Biak, boats required to transport tourists to diving places should be left to the local community. The funds needed could be obtained from part of interest generated from accounts or from bank loans.

Another way the community could become involved and generate income is that young people could be trained as guides or divers, so as to prevent the flow or urbanisation and provide earnings for the local people. Still more things can be done to integrate tourism in the regions, improve the standard of living of the local community, preserve the environment, and protect traditional values among the people. For this purpose the LSPI is compiling a book entitled "*Pengembangan Pariwisata Pedesaan*" (The Development of Rural Tourism), which is expected to be available soon. Following this model of development, tourism could be an asset to the country and people pursuant to the National Development objective, namely the development of the Indonesian man as a totality and the entire Indonesian people.

## The First Sino-Indonesian Conference: Building A New Mutual Understanding

*Rizal SUKMA*

**A**FTER the resumption of diplomatic relations between Indonesia and China, to further bilateral relations, the countries had organised a Sino-Indonesian Conference to be held in Shanghai between April 28-29, 1991. This was the first time the two countries to have such conference after a long period of "frozen" relations. The conference was jointly organised by the Centre for Strategic and International Studies (CSIS) of Indonesia and the Shanghai Institute for International Studies (SIIS) of China.

The Conference was not held at the ministerial level. It was a meeting of experts of various fields including scholars, researchers, university professors, and also former ministers. Among the Indonesian delegations were Professor Mochtar Kusumaatmadja (former Minister of Foreign Affairs), Professor Mohammad Sadli (former Minister of Manpower and Minister of Mines), Dr. Hadi Soesastro (Executive Directors of CSIS), Jusuf Wanandi (Chairman of Supervisory Board, CSIS), Dr. Soedjati Djiwandono (member of the Board of Directors and Supervisory Board of CSIS), Dr. Dorodjatun Kuntjoro-Jakti and Dr. Suhadi Mangkusuwondo (Lecturers at the University of Indonesia), and A. Hasnan Habib (Adviser to the State Minister for Research and Technology and a retired lieutenant general). The Chinese side was represented by Professor Chen Qimao (Chairman of SIIS), Professor Ji Guoxing (Head of the Department of Asia-Pacific at SIIS), Professor Gao E, Jin Dexiang, and Fu

Zhenluo.

There were twelve papers discussed at the Conference. Three of them (the papers by A. Hasnan Habib, Suhadi Mangkusuwondo, and Gao E) were introductory pieces related to global economy, politics, and security developments and recent political Asia-Pacific issues. The rest of the papers dealt with the developments in the Asia-Pacific region and their implications for China and Indonesia (the papers by Soedibyo and Chen Qimao), China and Southeast Asia (the papers by Jusuf Wanandi and Jing Dexiang), and political and economic aspects of bilateral relations (the papers by Soedjati Djiwandono, Ji Guoxing, Hadi Soesastro, Dorodjatun Kontjoro-Jakti, and Fu Zhenluo).

The first two papers written by Hasnan Habib of Indonesia and Gao E of China show rather similar perspectives in their assesment of general trends in contemporary world politics. Speaking specifically about the superpowers' role in the politico-security environment of the Asia-Pacific, Hasnan Habib pointed out that despite the current detente between the United States and the Soviet Union, lasting co-operation between those two powers with their completely different systems cannot be taken for granted. A stable and long-term detente between Washington and Moscow could only be maintained by nurture and conserted effort by both sides. He also stated that the post-Gulf War world has been characterised by the emergence of the US as a sole superpower, resulting from a "systemic



imbalance" caused by the "demise" of the Soviet Union in the global arena.

In a rather similar way, Gao E found that the world is not at peace with the US-Soviet rapprochement. The Gulf War demonstrated that the US was still the number one power in the world today. In Gao's view, however, the relative decline of the US was an objective fact, which could not be altered by its victory in the Gulf War. In this respect, Gao pointed out that the rise of Germany and Japan has posed a serious challenge to the leadership of the US. He also observed that the world had entered a transitional period, from an old world structure to a new one, characterised by some turbulence as reflected in: (a) the tension between East and West shown in the struggle between "peaceful evolution" and efforts to resist it; (b) tension between the North and the South that have intensified, the increasing risk of war; (c) the continuing fragmentation of Third World Countries; (d) the decline of the Soviet Union's strength in which it conducts a co-operation with the US on the other hand and is still the main adversary of the US on the other hand; (e) the rise of new economic powers Germany and Japan, which creates the opportunity for partnership or rivalry with the US; and (f) some regional powers which turn into new political forces capable of exerting influence on the world situation.

According to Gao, the deteriorating economic situation, characterised by economic recession, economic crisis in Eastern Europe, and economic difficulties in the developing countries, tends to cause social disturbances and instability in the international situation. He emphasised that the economic situation of the Third World countries was going from bad to worse; they were facing major difficulties such as debt burdens, deterioration in terms of trade, reduced capital flow, and an uncontrolled population growth. According to Gao E, the main reason for the economic

backwardness of the developing countries was the unequaled and inequitable treatment they received from the developed countries. Therefore, old international economic relations should be reformed or replaced by fair and equitable principles of equality and mutual benefit and exchanges of equal values.

In assessing the international economic situation, Suhadi mentioned four main issues, namely the challenge of intensified competition in the world market, the emergence of huge trading blocks, the shortage of international capital, and the maturing of the Asian NIEs with the emergence of new NIEs. According to Suhadi, no country could avoid these international challenges. In the long run, all countries will be obliged to become part of the world economy, otherwise they will be bypassed and left behind by the rest of the world.

Speaking more specifically of the situation in the Asia-Pacific and its implication for Indonesia-China relations, there apparently was a lot of consensus among presenters concerning the general political direction in which in the region is moving. Sudibyo, Chen Qimao, Jusuf Wanandi, and Jin Dexiang observed that although the end of the bipolar antagonism will by and large bring about a relaxation of political tension in the Asia-Pacific region, its future remains unclear. Sudibyo suggested that the decline in bipolarity in the Asia-Pacific was leading to the emergence of new power centres. These new power centres could be Japan or China. Chen Qimao theorised that there would be a transformation of great power relations in Asia-Pacific from the "big triangle" form (the US, China, and the USSR) to a "quadrilateral and five sided" one (the US, China, the USSR, Japan, and ASEAN).

In his presentation, Jusuf Wanandi outlined three interesting points concerning

policy options that ASEAN could consider in formulating its concept of regional security. *First*, to continue with the efforts to establish a regional order for Southeast Asia based on the ZOPFAN idea. *Second*, to maintain the status quo and the existing power balance, making adjustments where necessary. *Third*, to seek a new regional order which complements the new international order. However, Jusuf Wanandi stated that ASEAN need not choose one of the three options, because it could combine the various elements that are contained in them.

In his paper Jin Dexiang discussed the changing relationships in the Asia-Pacific region and expected China and the ASEAN countries to further enhance their cooperation in the 1990s on the basis of the Five Principles of Peaceful Co-existence and the Ten Principles (*Dasasila*) of Bandung. This would not only enhance the security and development of the two sides, but also contribute to peace and stability of the Asia-Pacific and the whole world.

The subsequent talks dealt with some of political and economic aspect of China-Indonesia bilateral relations. Focusing on the political aspects of relations, in his presentation, J. Soedjati Djwandono stated that despite the resumption of diplomatic relations that had taken place, there was still some suspicion in Indonesia concerning ethnic Chinese Indonesians, the Chinese government, or both. Therefore, Indonesia and China should promote confidence building measures in any possible form. Djwandono added that in order to improve Sino-Indonesian relations in the present decade and beyond, both nations should also attempt to promote their relations with other nations, particularly those in Southeast Asia and the Asia-Pacific region. Relations between the two countries would help create and maintain peace, security and stability not

only in Southeast Asia and East Asia but also of the whole world.

On the other side, Ji Guoxing also mentioned that the resumption of ties between Indonesia and China would not automatically mean an improvement of friendly relations. Ji Guoxing tried to clarify negative factors that could impair the development of bilateral relations. For example, he stated that some Indonesians still seem to have some misgivings about China's foreign policy. Therefore, Ji Guoxing shared Soedjati's view that the promotion of communication and understanding was quite necessary. He believed that all contradictions and misunderstandings could be removed through dialogue and consultation.

As for economic relations, Hadi Soesastro pointed out that trade and economic cooperation would definitely become an important element in the relations between Indonesia and China. However, Hadi Soesastro argued that there were some problems that should be overcome such as the possibility of bilateral trade imbalance, countertrade, inspection, and dumping. He concluded that there was a need for a fresh approach to promote Sino-Indonesian bilateral trade and economic relations because the existing policies and the underlying propositions guiding the relationship were not viable in the long term. Sharing a rather similar view on China-Indonesia trade problems, his Chinese counterpart, Fu Zhengluo, suggested some measures that could be taken by both sides to encourage cooperation. He suggested, among others, that Indonesia and China should develop new varieties of especially manufactured goods, while maintaining the traditional items.

Delegates from Indonesia and China were optimistic about the future relations between the two countries, despite the problems that were mentioned relations could be improved through consultations, dialogue, and other



confidence building measures such as promoting cultural and student exchanges, technological co-operation, and the like. The First Sino-Indonesian Conference, as J. Soedjati Djiwandono pointed out in his

paper, is part of the process. Be that as it may, the Conference has been recognised as a valuable means for building a new mutual understanding between the two countries in all fields.

The Japan Institute of International Affairs (JIIA) is now accepting applications for

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The JIIA Fellowship was initiated in 1989 to promote intellectual collaboration and mutual understanding between Japan and ASEAN countries and to provide young ASEAN scholars with opportunities to conduct advanced study in Japan. This fellowship is research program for young ASEAN scholars.

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### ELIGIBILITY

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  1. ASEAN in domestic and regional dimensions
  2. ASEAN in Southeast Asian context
  3. Asian-Pacific Region
  4. ASEAN-Japan Relations
- Proficiency in English (Proficiency in Japanese is desirable but not required)
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For further information and application forms, please contact:

Mr. Tatsuaki Iwata  
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The Japan Institute of International Affairs  
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# Global Changes and Its Impact on the Asia-Pacific Region: An ASEAN View

*Jusuf WANANDI*

## Introduction

**I**N the last ASEAN Ministerial Meeting (AMM) in July 1990, the Philippines Secretary of State, Raul Manglapus, proposed that ASEAN should begin to discuss and examine the security problems of Southeast Asia in light of changes in the global and Asia Pacific regional environments. The Philippines has a particular interest in this discussion, since it faces the immediate and concrete issue of the bases.

The AMM agreed to have a dialogue on security among ASEAN members, which is to be undertaken in accordance with the ASEAN Concord agreed upon in the First ASEAN Summit in Bali 1976 and the Kuala Lumpur Declaration of 1971. In the ASEAN-PMC (Post Meeting Conference), following the July 1990 AMM, both Australia and Canada also suggested the need for a dialogue on security issues in the wider Asia Pacific region.

The Australian Foreign Minister, Gareth Evans, proposed a dialogue among Asia Paci-

fic countries, similar to the CSCE in Europe, which could be named CSCA (Conference on Security and Cooperation in Asia-Pacific). The Canadian Foreign Minister, Joe Clark, suggested that the ASEAN-PMC be transformed into a forum to discuss regional security issues. He also proposed that other countries, namely the South Asian countries, the Indochinese countries, China, and even the Soviet Union, could be invited to join. Similarly, Shevardnadze proposed a repetition of the Helsinki process for the Asia Pacific region to be launched at a foreign ministers meeting in 1993.

Which ever form the dialogue may take, it is necessary for ASEAN to begin to make the following preparations. *Firstly*, to assess and discuss the fundamental changes that are taking place in the politico-security and economic realms, both globally and regionally, and their impacts upon the Asia Pacific region. *Secondly*, to define and develop a common perception of the new threats and challenges to the Asia Pacific region in the post-Cold War environment. This is not an easy task, but a necessary one, since the region is more complex and diverse than Europe. *Thirdly*, to discuss the options available to ASEAN in

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dealing with those changes and in overcoming the new threats and challenges in the future.

In examining the options, ASEAN must keep in mind two main factors that will influence the direction of its future policies. The first is ASEAN's concept of security, which will always be seen in the overall context of national and regional resilience. In this sense, it encompasses all aspects of life, and is similar to the concept of "comprehensive security" which was introduced in Japan by Prime Minister Ohira. This means that economic and social problems are an integral part of regional security issues. The challenges and threats faced by the ASEAN countries have become more complex. They originate both from within and from outside the region, and are not confined to military or politico-military aspects alone. Thus, ASEAN's approach to security has become more valid. The second factor refers to the consensus in ASEAN that discussions on security issues among ASEAN members should be guided by the ASEAN Concord of 1976 and the Kuala Lumpur Declaration of 1971 on ZOPFAN.

## The Impact of Global Changes on the Asia Pacific Region

### *The Politico-strategic Environment*

The politico-strategic environment today is marked by the end of the post-World War II Cold War era. The conflict between the US and the Soviet Union which lasted for over 40 years was unique in that it was a conflict between ideologies. The end of Marxism-Leninism, resulting from its failure to improve the well-being of the people, which led to the end of the East-West conflict, has also eliminated to a very large extent the possibility of a nuclear war. The impact of this change on international affairs is dramatic, as already shown in Europe.

The hope is that globally the world will become more peaceful and stable. Sources of conflicts, however, remain prevalent. But the new threats to peace and stability are likely to be based on *Realpolitik* and no longer result from clashes of ideologies as in the past. Traditional hostilities, based on nationalism, ethnicity and religious animosities (as in the Middle East today), will be brought more to the fore. Global conflicts will also result from "new" threats such as the trade in sophisticated arms, narcotics and terrorism as well as environmental degradation.

The dismantling of the iron curtain in Europe has brought about a totally new situation, with the possibility of the emergence of a Europe that stretches from the Atlantic Ocean to the Urals. This development will undoubtedly open up new opportunities as well as new problems and tasks.

The *first* task is the development of a new security system for Europe. The Warsaw Pact has practically ceased to exist, while NATO is being transformed into a forum for political cooperation. Europe is now in search of new arrangements that could accommodate both Eastern Europe and the Soviet Union. The CSCE (Conference on Security and Cooperation in Europe) is seen as providing a basis for the new arrangement, but its institutions are considered to be too weak. Also, it consists of so many countries. There is a proposal to modify its institution to allow for the establishment of a core group and to broaden its function so that it would not only address political issues but could include the undertaking of joint military exercises, the establishment of peace keeping forces for Europe, and the like. It seems that for now a transformed NATO could assume some of the above contemplated tasks. Ultimately, the security of Europe will be the responsibility of the European countries themselves. The US still plays an important role in European security in this transition period, but the parties



concerned should begin to visualise a new modality for the future of the US presence in Europe.

The *second* issue, which is closely related to the first one, is the unification of Germany. The unification has come true much faster than initially expected, including by the Germans themselves. This brings about new concerns on the part of the other European countries, based on past historical facts implicating Germany, namely the Franco-German war in the late 19th century and the two world wars. At issue here is whether or not the Germans have changed and accordingly, the question is whether Germany will become a threat to Europe. These questions cannot be answered at this point in time. What is important for Europe is to devise schemes that would incorporate Germany in a structure (or structures) of cooperation, including in the military field. In this context, it is difficult to imagine a scheme which excludes the US, at least for the time being.

The *third* problem arises because of continued uncertainties about the future developments of Eastern Europe and the Soviet Union. The various Eastern European countries have different histories, experiences and internal conditions and therefore, the success of their reform programs differs from one country to the other. However, they share a common challenge, namely of transforming their systems and societies from a closed communist system to a more open, multi-party, democratic system, and from a centrally planned economy to a market economy. In addition, many of those countries are faced with the resurgence of problems of ethnic minorities, which also complicate inter-country relations among several Eastern European countries.

The *fourth* issue refers to the future of Western Europe as a political union. This trend has been accelerated by the progress achieved in the economic field under the 1992 project, which in turn has been positively influenced

by the political and military developments in Europe. But developments in Eastern Europe and Germany's process of unification can hamper the momentum towards the creation of a United States of Europe or even towards a Political Union of the European Community (EC).

Developments in Europe do serve to illustrate at its best the fundamental changes that are taking place globally which have reduced or eliminated the dangers of a total or nuclear war. Today, ideological conflicts still prevail between Western values (liberalism and capitalism) and Islamic values, for example, but this conflict is not as widespread and total as that between liberalism-capitalism and communism.

However, the world has not become free of conflicts and wars. This is clearly demonstrated by the recent Iraqi invasion of Kuwait and the resulting Gulf crisis. This development also shows that a new international order is being shaped in which the United Nations will play a more central role and in which the leadership role of the United States as the only comprehensive superpower is still being sought. This crisis also shows the importance of cooperation between the US and the Soviet Union in the management of international crisis. It also demonstrates that the European Community is not yet a "United States of Europe" that can speak with one voice, and that Japan is totally ill prepared to play a greater political role, which is commensurate with its economic might.

Geostrategic factors remain a major determinant in international relations although geo-economic factors have assumed a greater prominence. The role of smaller powers, including Third World countries, cannot be ignored by the major powers and superpowers since the support of the former group of countries is necessary to provide legitimacy to the actions or policies of the latter group of countries in maintaining international order.



Unilateral actions, even by the superpowers, can no longer be taken because of strong international opposition to such acts. Such reaction was already discernable in the 1980s in relation to the conflicts in Cambodia, Angola, Afghanistan, and Nicaragua. The United Nations, which is the forum for the developed and developing countries to reach consensus on important international issues, will therefore assume a greater role and importance in the future.

### *The Economic Environment*

The world economy today is characterised by two main developments, namely increased interdependence and globalisation of economic activities. There also is a trend towards greater reliance on market forces in the management of economies. Another important trend is the strengthened economic position of Western Europe and Japan and the relative weakening of the US economic position. The position of the developing world in general has been eroded because of the diminished role of labour and raw materials in world production compared to the increased importance of capital, technology, and management which are mostly in the hands of the industrialised world.

Recent developments in two regions of the world are expected to have important implications on the world economy. The demand for capital in Eastern Europe is expected to create increased competition in the international markets at a time when the pool of international capital appears to be dwindling. The armed conflict in the Middle East, caused by Iraq's invasion of Kuwait, could seriously affect the supply of oil, and in turn could lead the world economy into a deep recession.

The above developments will have further implications on economic relations between the industrialised world and the developing world, which already deteriorated since the 1980s, not only in terms of reduced deve-

lopment assistance but in other economic fields as well. The interest of the industrialised countries towards the "third world" is likely to diminish even further as a result of the ending of the cold war. In addition, as mentioned earlier, the developing world with its abundance of labour and raw materials is now losing much of its economic advantages as a result of technological progress.

In view of the above, it is important that thoughts be given to the formulation and creation of a new structure of relations between the industrialised and the developing worlds, taking account of the emerging new international issues (environment, narcotics, terrorism, etc.) as well as the desirability of resolving the "North-South" problems within a regional rather than global context. There is also the need to inform and educate the public in the industrialised societies that cooperation with the developing world is in their own interest, since local and regional conflicts could become a source of instabilities that have wide-ranging implications. The "third world" which involves three-fourth of the world population simply cannot be ignored.

In the geopolitical field, the Gulf crisis has led to an international development, namely towards an increased role of the United Nations and the developing countries. However, the impact of the crisis on the international economy, in addition to the effect on oil prices, remains highly uncertain, and no ideas have emerged on the role of the United Nations in the international economy. Japan, as one of the largest economy and the biggest donor country should be uniquely positioned in developing new, multilateral initiatives in this context.

### *Implications for the Asia Pacific Region*

The implications of the rapidly changing global situation on the security of the Asia Pacific region cannot readily be seen. How-



ever, one can be certain that they already have significant effects on the region.

The end of the cold war has led to reduced superpower conflicts and competition in the Asia Pacific region. Even though changes in the Asia Pacific region are slower than in Europe, the Soviet Union has almost totally withdrawn its military presence from the Southeast Asian region, including from Cam Ranh (except for some surveillance capabilities). However, it is now concentrating its forces in Northeast Asia and the Okhotsk Sea, perhaps with the aim of maintaining some capabilities to balance the US Seventh Fleet and to have an effective second strike capability in case of a US attack. Nonetheless, its operational capabilities in the region has significantly diminished.

According to the assessment of the US Department of Defence (DoD), the US will also reduce its military presence in the region as a response to the changing strategic environment and as a result of its own budgetary constraints in the future. DoD's plan is for a gradual reduction over the next five years, taking into account the greater complexities in this region compared to the European theatre. There is the possibility, however, that this process could be accelerated by pressures from Congress and US public opinion or because of domestic economic considerations. Heightened emotional reactions on the part of US public opinion, resulting from increased economic tensions with Japan or from an abrupt decision on the part of the Philippines to terminate the bases agreement with the US, could further hasten the process.

As in the case of Europe, the US presence in the Asia Pacific region is still considered vital to the maintenance of regional peace and stability. Its primary role in the region is to help assure that other big powers will restrain themselves from causing instabilities to arise in the region. This means that the US presence is not merely aimed at balancing the Soviet

Union, but in the future also at checking China, India, or Japan.

As yet, Japan is politically not ready to increase its military capabilities substantially or individually. But if it does, it will encounter much opposition from its neighbours. Therefore, the US-Japan defence structure remains vital to assuring stability in the region, especially since there are grave concerns that one day Japan will decide to go it alone in the defence field.

The Soviet Union is still a major military power that possesses nuclear weapons. In addition, its internal development and stability remain uncertain, and so long as it has not become involved in economic and political cooperation in the region, it remains a major source of instability to the region.

The People's Republic of China (PRC) is likely to be preoccupied with its own development and modernisation efforts for the next 20 years or so and therefore, it will restrain itself from engaging in any adventurous activities in the region. It will also do its best to maintain open economic relations with the world. These developments should help transform the PRC from a revolutionary power into a conventional power. Thus, it should also be in the interest of the world not to isolate China. Instead, China should be drawn into regional and international structures so that it will be committed to the international rules of the game and to the regional — rather than its narrow national — interest. It is in this connection that China should be included in regional cooperation schemes, such as the Asia Pacific Economic Cooperation (APEC) process.

India is seen as a potential threat because of the rapid build-up of its naval and air capabilities, the establishment of military base in Andaman, which is close to the Strait of Malacca, and particularly because the military build-up has very unclear objectives. However,



it should not be overlooked that India faces severe internal problems and difficulties in its relations with its neighbours. These would necessitate it to focus its attention on the Asian sub-continent and the Indian Ocean. All these pose a major constraint to its ability to take any politico-military actions far from its own shores.

The above developments and the uncertainty regarding the US future presence in the region provide a strong reason for the countries in the region themselves to begin to seriously assess the implications of different scenarios. One likely scenario foresees a reduction of the US presence in the Western Pacific at a much faster pace than planned by the US Administration. This could happen when the US Congress and US public opinion, for instance, overreact to a decision by the Philippines to terminate the bases agreement with the US without a new one being formulated. This possibility is not remote in view of the fact that the majority in the Philippines Senate is opposed to a continuation of the agreement.

The next round of negotiations on the bases will hopefully be completed at the end of January 1991, and becomes a new Treaty in September 1991, following Manila's submission of a formal notice of termination to Washington in May 1990.

As it considers its options over the bases, the US should give careful consideration to balancing its future strategic interest in the Western Pacific, the region's political stability, and the Philippines' perceived national interest; these factors may not always converge. Complications could arise if nationalist sentiment and emotion dictate a Philippines' decision to abrogate the bases agreement. Similarly, the Philippines should bear in mind that financial assistance and investment will be less forthcoming if it no longer hosts the US bases. In addition, other economic costs to the country of not extending the agreement include such factors as loss of employment and com-

pensation.

The atmosphere of negotiations has changed for the good, and clearly there is a convergence of objectives between the US and the Philippines governments. The negotiations are now on the modalities for "phase down and phase in" and the conditions concerned. The Philippines' Senate however, has to consider in the last phase, that what can be expected at the end is a phased down of US presence in the Philippines in the next 5-10 years to come, and that at the end US facilities, such as in Singapore, could replace the arrangements made in the new treaty.

The US initially reacted strongly to the Philippine Government's position, before accepting that the declaration to terminate the agreement was a necessary formality if Manila were to continue with the negotiations. The US then agreed to pay compensation in the form of a military hospital and equipments which were previously deployed in Europe. While these compromises have helped in creating a more amenable atmosphere of negotiations, other factors still have to be considered carefully.

*First*, it should be borne in mind that most of the Philippines' political elite still question the continued use of the bases by the US. *Second*, from the US perspective, any deal will have to follow a re-examination of issues related to the duration of the agreement, the size of the base areas, the authority and sovereignty over them, their joint, and multi-purpose uses and the level of compensation required by the Philippine Government. The ultimate decision on whether the US stays or goes rests on the resolution of these issues.

On sign of US resolve was the decision to appoint Richard Armitage as special chief negotiator, rather than to assign the task to the US ambassador in the Philippines. This could be seen as a clear determination by Washington that US-Philippine relations should not be



dominated by the bases issue alone. In addition, Armitage has earned a good reputation among Southeast Asian leaders, and is trusted by the US Navy and the Pentagon, that both have a clear interest in the outcome of the negotiations.

Ultimately, it should be in the interest of both the US and the Philippines to maintain the bases because of their contribution towards stability in the Asia-Pacific region and the economic development of the Philippines. This should also be in the interest of all countries in the region, including ASEAN. While Singapore, Brunei and Thailand have made their support for the bases known in a more direct manner than Malaysia and Indonesia, all ASEAN members essentially accept that the Philippines should continue to host them.

The strategic importance of the bases is to support US military interests in Northeast Asia, particularly Japan, in confronting the Soviet Union in the Okhotsk Sea. They are also of importance to the security of Southeast Asia's sea lanes, and contribute to the maintenance of US forces in the Indian Ocean and the Gulf.

The political significance of the bases is perhaps of greatest importance to Southeast Asian countries, as they symbolise the US presence in the region, which provides some deterrence to intervention by other outside powers. This has allowed the countries in the region, ASEAN in particular, to concentrate their efforts on economic development.

As mentioned earlier, the other source of a possible emotional outburst on the part of the US Congress is continued trade and economic frictions with Japan. However, US reactions would be tampered by the fact that US-Japan relations are vital to the US, and that Japan cannot be allowed to go it alone in the defence field.

Until today the most important problem between Japan and the United States is in the

economic field, originating not only in the huge bilateral trade imbalance of about US\$50 billion annually but also in the increased Japanese investments in the US as well as in the structural changes that are taking place in Japan's society and economy as proposed in the Structural Impediment Initiative (SII) with the US. In dealing with this bilateral economic problem with Japan there still is a debate among Americans themselves, namely between the "traditional" group, consisting of bureaucrats and intellectuals that understand Japan, and the "revisionist" group which maintains that Japan cannot be treated as a Western society. This group believes that the SII will not be successful because it projects Japan in the Western image. Rather, it suggests that the policy towards Japan should be formulated in accordance with Japan's own values and systems.

The Gulf crisis has put additional pressures on Japan, particularly to assume a greater political role that is commensurate with its status as the second most powerful economy in the world. This is of importance to the public opinion and the US Congress as it relates to the issue of burden-sharing between US and Japan, especially since the Persian Gulf is so much more important as a source of oil to Japan than to the US. It should be in the interest of ASEAN as well as other Asian neighbours of Japan to induce Japan step by step to an increased participation in collective security activities, such as participating in a UN peace keeping force, rather than to exclude Japan. The danger of the latter is that Japan could go it alone if it faces greater pressures in the future.

In fact, Japan has begun to think about its political role in the Gulf crisis, but as usual the process of decision making is very weary and slow and tends to produce "too little too late". Its initial pledge of US\$1 billion was severely criticised by the US Congress. The decision to deploy a contingent as a UN peace



keeping force and to contribute to US\$4 billion has reduced the pressures on Japan but it is clear that in the future much more is expected from Japan. It is also understood that Japan cannot confine its role to only providing financial contributions. However, in formulating a more comprehensive policy it also needs to take into consideration the sentiments of its Northeast Asian neighbours, particularly China and Korea. China has criticised Japan for sending its SDF as a UN peace keeping force even without military uniform.

For ASEAN, the US-Japan alliance is the most important guarantee that Japan will not go it alone in defence. Therefore, any policy that is necessary to safeguard the alliance must be taken by Japan and will be supported by ASEAN. However, Japan must not overdo in the military field. ASEAN will support a deployment of its SDF in a special UN peace keeping force, in which it participates in logistics activities or in the medical teams. But the deployment of frigates or mine-sweepers to the Persian Gulf would give the wrong signals to public opinion in the ASEAN countries.

In any case, the ASEAN countries will begin to prepare themselves for the possibility that, as history has shown, any vacuum created by the withdrawal of one power will be filled in by other great powers. Given the uncertainties, ASEAN member countries need to enhance cooperation in the defence field. They should strengthen the existing bilateral and trilateral defence cooperation amongst them so that this web of defence relations could eventually be transformed into more formal defence coordination mechanisms among the countries concerned. ASEAN countries could also develop closer defence cooperation with Australia, but this cannot be based on the Five Power Defence Arrangement (FPDA) as this is seen as an arrangement which was originally formed against Indonesia.

Another important item on ASEAN's agen-

da is the normalisation of relations and co-operation with other countries in Southeast Asia, particularly Vietnam, as soon as the Cambodian conflict is resolved. It is important for ASEAN to find the modality to involve non-ASEAN countries in Southeast Asia in the implementation of the ZOPFAN idea. A first step in this direction is to invite those countries to join ASEAN's Treaty of Amity and Co-operation, such as undertaken by Papua New Guinea. This would implicitly mean an acceptance of peaceful settlements of any conflict in the region. Other efforts of ASEAN should include further development of ideas on CBM, and the establishment of a forum for political dialogues in the Asia Pacific region as a whole as a way to improve the stability, peace and progress in the region. In this regard, initiatives by private "think tanks" should be welcomed. There was the opinion that regional conflicts and disputes should be settled first before such a forum could be created. But the CSCE in Europe was formed before problems in Europe were settled. Therefore, there is no reason why the Asia Pacific region should not have a forum to discuss regional security issues. The dialogue could be of an informal character at the beginning, to be developed later into a more formal one.

If the US decides to totally withdraw from the Western Pacific, however remote this possibility may be, ASEAN might consider establishing a more formal defence arrangement with the countries in the Southwest Pacific (Australia, New Zealand, and Papua New Guinea). In addition, it should seek cooperation with Japan in the area of technology transfer and the supply of equipments that could assist ASEAN in safeguarding the SLOCs in Southeast Asia which are vital to Japan's security interests. ASEAN opposes any Japanese attempt to police the SLOCs in Southeast Asia but it is ready to cooperate with Japan since it cannot carry the financial burden of this task by itself. ASEAN could also examine future US capabilities to supply the



necessary technologies and equipments to ASEAN.

A formal ASEAN cooperation in defence cannot come about overnight. As a prerequisite, ASEAN needs to resolve many of the prevailing problems between its own members, which thus far are swept under the carpet. These include among other things the Sabah problem between Malaysia and the Philippines, as well as Thailand's ambivalence towards ASEAN and its greater interest to play a leadership role in continental Southeast Asia. Of equal importance to ASEAN's defence cooperation is the development of a common perception of threat, in particular in assessment of the roles of China and Vietnam in Southeast Asia, as well as on the relations with the other great powers. This will require more precise formulation and adaption of the implementation of the ZOPFAN (zone of peace, freedom, and neutrality) concept.

In addition to their security implications, the recent changes in the global environment also have political and economic implications for the region. The political implications of the dramatic developments in Eastern Europe can be seen in the greater awareness globally of the concepts of freedom, democracy, political pluralism, the rule of law, and human rights. These influences are immediately felt by the socialist countries in the region, namely China, Vietnam, and North Korea, whose political leaders continue to resist changes. Mongolia, Myanmar, and Nepal have also been affected, and the influence will also be felt in the other countries in the Asia Pacific region although not immediately. In fact, popular movements in South Korea, the Philippines, and Taiwan have begun much earlier than in Eastern Europe. A cursory examination of the developments in these different countries suggests that change will be more rapid when a country faces grave economic difficulties.

The implications of global economic changes have been widely discussed. In the Asia Pacific region, these changes have led to greater economic interdependence among the Western Pacific countries. This has brought about new economic opportunities for the countries in the region, especially the developing countries, but it also is a major source of political frictions. In recent years, the region has also seen a dramatic increase in Japanese direct investment in manufacturing into Asia. This has led to greater intra-industry trade among the countries in East Asia and Japan. This development is beneficial to the ASEAN countries, but it is also a source of potential political discontent, especially if the resulting regional production structure is overly dominated by Japanese companies. In addition, the region continues to witness economic and trade frictions between the two major regional economies, the US and Japan. This development has destabilising effects upon the entire region.

## A Concluding Note

The preceding discussion clearly shows the importance of a strong and cohesive ASEAN to cope with the major changes that are taking place in the various fields, in the security and strategic fields as well as in the international economy. In fact ASEAN has recognised this necessity in the last AMM. Proposals were made to take bold initiatives in enhancing regional economic cooperation and to strengthen the mechanisms for cooperation, including the ASEAN Secretariat, the Joint Ministerial Meeting, and the involvement of ASEAN economic ministers in the ASEAN PMC. In addition, the need to have a dialogue on politico-security matters was also recognised. All this will be taken up at the next ASEAN's Summit in Singapore, December 1991.

Japan's increased role and presence in the Asia Pacific region can be beneficial and will



not be perceived as a threat so long as its alliance with the US is intact. The US-Japan alliance is vital to the maintenance of peace, stability and prosperity in the region. It is also in ASEAN's interest to prevent an over-dependence on Japan, and this can be assured so long as the US presence in the region is adequate.

Importance of the PRC to ASEAN rests on its adjacent location to Southeast Asia and the existence of territorial disputes in the South China Sea. A forum to discuss these problems need to be established. This forum, for instance, could take up the recent proposal by Prime Minister Li Peng during his visit to Singapore in August 1990 for the development of joint exploration and exploitation of re-

sources in that area.

The Soviet Union should be invited to participate in the economic activities and development of the region. A main task for the Soviet Union in the Asia Pacific region is the peaceful resolution of the Northern Islands. ASEAN should examine whether it can play some role in the search for such a peaceful settlement of that problem.

In the final analysis, ASEAN can effectively participate in the various regional efforts suggested above if it has the will and capability to enhance its own cooperation in all fields. The development of ASEAN's institutional capabilities is one of its most urgent task.

# After the Resumption of Diplomatic Relations: Aspects of Sino-Indonesian Economic Relations

*Hadi SOESASTRO*

## Introduction

**E**IGHT months have elapsed since Indonesia and China resumed their diplomatic relations. Expectations about the results of normalised relations have been high, especially on the economic front. As reported elsewhere, the Indonesian business community believes that two-way trade between Indonesia and China could reach US\$6 billion in the year 2000, or about six times the volume of their total bilateral trade in 1989.<sup>1</sup>

In a seminar on Sino-Indonesian economic relations, held in Jakarta in November 1990, a former US diplomat, John Holdridge, strongly cautioned against too much optimism about economic and trade relations between Indonesia and China. He argued this because the two countries are essentially competing in the same international market and they also are competing to attract fo-

reign investment. He suggested that both countries should work out some kind of division of labour so that greater economic complementarities would develop.<sup>2</sup> Indonesians and Chinese should have come to this same conclusion without being told by a third country observer. It is not clear, however, how they should go about developing greater economic complementarities. What is quite clear is that expectations should be moderate indeed, but both sides should continue with their efforts to improve the climate for promoting bilateral economic relations.

It is also to be kept in mind that the results of normalisation or relations should be assessed in a much wider perspective than just trade and economic relations. Essentially, there were three different views in Indonesia on rationale for normalising relations with China; these views should not be seen as mutually exclusive. The *first* view is that normalisation of relations with a "big country like the PRC" that has a "regional influence" should be seen as something that

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<sup>1</sup>*Business News*, 7 Desember 1990.

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<sup>2</sup>*Jakarta Post*, 27 November 1990.



is normal and logical.<sup>3</sup> The *second* view is that the resumption of diplomatic relations with China will enable Indonesia to play a greater role in regional affairs, particularly in its efforts to resolve the Cambodian conflict.<sup>4</sup> The *third* view sees normalisation primarily from the interests to further promote Indonesia's trade with China. As stated by a senior member of parliament, Imron Rosyadi, "trade should be the central focus and the main element in the normalisation of relations" with the PRC.<sup>5</sup>

It appears that the third view has found the stronger support from a larger segment of the Indonesian society. This may be a demonstration of the greater importance that is given today to economic factors and commercial interests in international relations. But perhaps the "trade argument" has been emphasised in Indonesia because it is the least political in appearance. It has also been stressed by a member of the cabinet that normalisation would be beneficial to Indonesian exports to China because this would allow Indonesia to receive trade preferences which China only extends to countries with which it has diplomatic relations.<sup>6</sup> Also, the strongest support from within the Indonesian society for promoting the relationship comes from KADIN, the Indonesian Chamber of Commerce and Industry.

<sup>3</sup>An interview given by Gen. L.B. Moerdani as reported in *Anjara*, 1 May 1988.

<sup>4</sup>A statement by Gen. Soemitro as cited in Justus M. van der Kroef, "Hesitant 'Normalization': Indonesia's Slow Boat to China," in *Asian Affairs* 16, no. 1 (Spring 1989).

<sup>5</sup>*Pelita*, 14 March 1990.

<sup>6</sup>A speech given by Moerdiono, State Minister for State Affairs, on 15 March 1990, "The Impact of Normalisation of Indonesia-China Relations on Indonesia's Trade and Investment," *Merdeka*, 19 and 20 March 1990.

Trade and economic cooperation will definitely become an important element in the relations between Indonesia and China. However, in view of the many prevailing problems and issues between the two countries, trade (and economic cooperation) cannot become the basis for the development of sound relations over the longer term. Some of these problems originate with the conditions and policies in each of the two countries, as well as with the structure of the relationship itself, or with factors external to Indonesia and China. This paper will first examine the main issues and problems in Sino-Indonesian bilateral trade and economic relations. This will be followed by a discussion of external factors that could have some significant effect upon that bilateral relationship.

## Issues and Problems in Bilateral Trade and Economic Relations

A review of Sino-Indonesian trade relations, that began with the signing of the 1953 Trade Agreement, would show that some of the problems that prevail today are not new. Such a review has been undertaken elsewhere and will not be repeated here.<sup>7</sup> However, one important feature of that trade relationship needs to be highlighted here, namely that the structure of Indonesia's exports to China is less diversified than the structure of Indonesia's imports from China.

Indonesia's export to China is dominated by plywood. In 1988, plywood constituted 64 per cent of the total value of Indonesia's export to China. The other major export commodities were fertilisers, natural rubber,

<sup>7</sup>See e.g., Hadi Soesastro, "Indonesia-China Trade Relations and the Role of Hong Kong, *The Indonesian Quarterly* XIV, no. 4 (October 1986).

plates and sheets of iron and steel, crude petroleum, coffee, and other wood products. These seven major export commodities constituted about 94 per cent of total Indonesian exports to China in 1988. On the import side, the major items were oilseeds, cotton, feedstuff, preserved vegetables, pig iron and machine tools. These six major commodities constituted about 55 per cent of Indonesia's imports from China in 1988. The remaining 45 per cent consisted of a large number of items. In view of the prevailing commodity composition of bilateral trade it could be hypothesised that China's propensity to import from Indonesia is greater than Indonesia's propensity to import from China. This means that given similar rates of income growth, China's import from Indonesia tends to grow faster than Indonesia's import from China. Therefore, the maintenance of bilateral trade balance as an element of bilateral trade relations is not a viable proposition.

Bilateral trade balance is only one of a number of issues and problems in Sino-Indonesian bilateral trade relations. The other issues include countertrade, inspection, and dumping. Article III of the 1953 Trade Agreement stipulates that "as a matter of principle" both sides agree to maintain the trade in balance. In fact, bilateral trade during the 1953-1965 period achieved a more or less overall balance, largely because trade between the two countries was conducted on a government-to-government basis. This was not the case with China's trade with other Southeast Asian countries. However, the maintenance of balanced trade was not without costs to the Indonesian side because the balance was artificially maintained through countertrade or barter arrangements which were often to Indonesia's detriment. As an example, a deal that was made in August 1965 to barter 90,000 tonnes of Indonesian RRS-1 rubber with fertilisers and rice from China was finally not imple-

mented because the Indonesian side detected that the rubber was to be re-exported — and hence, would compete with Indonesia's direct exports — and that the fertiliser was to come from Italy, which Indonesia already imported directly.<sup>8</sup>

Trade imbalances became an issue for Indonesia throughout the 1970s when trade between the two countries was conducted indirectly. Indonesia continued to record its imports from China which came through Hong Kong, Singapore, or Western Europe. To the contrary, its exports to China — which went through Singapore, Hong Kong, or Bangkok — were not recorded. Therefore, the official trade statistics showed a persistent trade deficit for Indonesia in China's favour. Given the nature in which trade between the two countries were conducted, it was not surprising to see that Chinese statistics also showed a persistent trade deficit for China in Indonesia's favour. For instance, Indonesian data showed that in 1982 its exports to China amounted only to US\$14.2 million but its imports amounted to US\$231 million whereas Chinese data showed that Indonesia's exports to China amounted to US\$151 million but its imports from China was only US\$46 million. Thus, the debate on the deficit and the exercise to draw relevant policy conclusions from such incomplete and systematically biased information became totally useless. Nonetheless, the discussions in Indonesian continued to point to the deficit and concerns were repeatedly expressed that the resumption of direct trade would tend to reinforce Indonesia's deficit in its trade with China.

Table 1 shows that until this day official statistics on both sides continue to provide a poor guide to policy on Sino-Indonesian trade issues. The attempt by the Indonesian

<sup>8</sup>As told by Frans Seda, former Minister of Plantation, *Sinar Harapan*, 1 August 1985.



Table 1

## INDONESIA-CHINA TRADE, 1985-1989 (\$m)

	Indonesia's export			Indonesia's import		
	Indon. data	Chinese data	Incl.indirect trade	Indon. data	Chinese data	Incl.indirect trade
1985	84	311	393	249	124	287
1986	139	324	381	337	143	375
1987	343	591	711	408	188	427
1988	492	681	889	410	236	512
1989	569	540	...	527	208	...

*Note:* data on trade, including indirect trade, includes re-exports by Hong Kong as reconstructed by the Indonesian Consulate General in Hong Kong.

*Source:* KADIN Indonesia.

Consulate General to reconstruct the total amount of direct and indirect trade (through Hong Kong) shows that official statistics continue to underreport the bilateral trade; in 1988 both Indonesian and Chinese data recorded a US\$900 million two-way trade, while the overall amount was about US\$1.4 billion. The more complete data also shows that since 1985 the bilateral trade has been in favour of Indonesia with the surplus growing from less than US\$100 million in 1985 to over US\$300 million in 1988. This development has led to increasing demands on the Chinese side to step up efforts to develop countertrade between the two countries. While there have been successful cases of countertrade between Indonesia and China in the past few years, they are limited cases and should not become a major component of the bilateral trade. Countertrade is equally not a viable proposition. In addition, the idea of developing countertrade stems largely from a concern with bilateral trade balances which is essentially a wrong trade policy agenda for both China and Indonesia.

The problem of inspection procedures remains unresolved after negotiations for more than five years. This is regrettable and

should be embarrassing to both sides. It only shows the rigidities of policies on both sides: China does not allow foreign surveyors to operate in China, while Indonesia insists that its surveyor (SGS) be allowed to undertake some checking. Indonesian concerns with the problem of inspection have increased recently as reports of alleged dumping of China's exports to Indonesia become more frequent. In the past (1950s and early 1960s) dumping of Chinese products (largely textiles) did not arouse complaints from the Indonesian side. To the contrary, the practice of dumping by the Chinese, which led to the adoption of counter measures in other Southeast Asian countries, was then regarded as mutually beneficial by the Indonesian government.<sup>9</sup> This is no longer the case as Indonesia is now developing a wide range of manufacturing industries and its trade regime is gradually being liberalised.

The issue of competition is not only confined to the international market place but is also present in Indonesia's domestic

<sup>9</sup>See, John Wong, *The Political Economy of China's Changing Relations with Southeast Asia* (London: Macmillan Press, 1984).

market. Fairness of trade and the question of pricing become a major problem and China's credibility in this respect remains low so long as it is not yet admitted into GATT (General Agreement on Tariffs and Trade).

Beyond trade, the period following the resumption of diplomatic relations saw the development of cooperation in a number of areas. A Memorandum of Understanding (MOU) on Cooperation in Geology and Mineral Resources, the first technical agreement after normalisation, was signed in February 1991. An Air Agreement has also been concluded. The use of China's Long March rocket to launch Indonesia's Palapa B-4 telecommunication satellite had been seriously considered, although the final decision by the Indonesian government was not in its favour. It is also reported that China's National Technology Import and Export Corporation (CNTIEC) will be supplying machineries and technology (worth US\$45 million) for the construction of Indonesia's first soda ash factory in Bontang (East Kalimantan). In addition, China International Trust and Investment Corporation (CITIC) is also interested in developing a joint venture in the production of electrical equipment in Indonesia. It is reported that China also expressed an interest in investing in wood processing and tool making industry as well as in fertilisers.

Major Indonesian groups are also reported to be interested in investing in China. Thus far Indonesian investments in China lag far behind the investments from other ASEAN countries. Chinese data shows that of total investment approvals from ASEAN during 1979-1988, which amounted to US\$744 million, Indonesia's share was only 0.7 per cent (US\$5.7 million).<sup>10</sup> The Salim Group and the Tong Djoe Group are reported to be planning to invest in a 250,000

to 300,000 ton capacity CPO processing factory in China. It is likely that some investment and joint venture projects will be developed in the years to come. However, as in Malaysia, some sensitivities on the Indonesian side could also develop in the future if economic transactions and relations with China were largely undertaken by business groups that are owned by Indonesians of Chinese descent. This, indeed, could become another limiting factor in the development of Sino-Indonesian economic relations.

### Some External Factors

In addition to the above issues and problems, a number of external factors could affect the development of Sino-Indonesian bilateral economic relations. These include the "Taiwan factor", the competition for Japanese capital and in the Japanese market, the role of Hong Kong, ASEAN, and Pacific economic cooperation.

Hong Kong continues to play an important role in Sino-Indonesian trade relations even after the resumption of direct trade in 1985. In addition to the unresolved problem of inspection, Hong Kong continues to offer a number of advantages, particularly to China's external trade. In 1990, about 45 per cent of China's total exports and imports were handled by (through) Hong Kong. Therefore, it should not be surprising to see that some of Indonesia's trade with China would continue to be conducted through Hong Kong. In 1990, for example, indirect trade between China and Japan through Hong Kong amounted to about US\$5 billion. If Hong Kong's return to China in 1997 proceeds smoothly, there is no reason to expect that the function of Hong Kong would be severely interrupted.

The "Taiwan factor" is seriously affecting Sino-Philippines relations today. This is not

<sup>10</sup>China's Statistical Yearbook 1989.



the case with Sino-Indonesian relations today even though Indonesia has signed an Investment Guarantee Agreement with Taiwan in December 1990, after it resumed diplomatic relations with China. The Agreement gives Taiwanese investors the same protection which citizens of other countries enjoy. However, Indonesia has made it clear that its relations with Taiwan will be strictly confined to trade and economic affairs because Indonesia adopts a One China policy. Apparently this same attitude is not strictly held in the Philippines, in part because it has had diplomatic relations with Taiwan before. Taiwan's economic attractiveness may be another factor. Taiwan's two-way trade with ASEAN in 1988 stood at about US\$7.5 billion, some 20 per cent higher than the volume of China's two-way trade with ASEAN for that same year. In the case of the Philippines, its trade with Taiwan was more than twice the volume of its trade with China.

Taiwanese direct investments in the ASEAN countries have increased dramatically during the past few years. This has given the Taiwanese a strong reason to press for an Investment Guarantee Agreement from the ASEAN countries. In addition to Indonesia, Singapore has also signed such an agreement in April 1990. Taiwanese investment in Indonesia increased from US\$17 million in 1986 to US\$934 million in 1988, and in 1990 (January-November) it amounted to over US\$1 billion. In the Philippines, Taiwanese investments increased from 7 million pesos in 1986 to 3,233 pesos in 1989, an increase of 460 times. Similarly, in Thailand it increased from 46 million baht in 1986 to 3,949 million baht in 1989, and in Malaysia from 11 million ringgit in 1986 to 2,119 million ringgit in 1989. In 1990, Taiwan replaced Japan as the largest overall investor in Malaysia.

The intensified economic relations bet-

ween the ASEAN countries and Taiwan should not necessarily have an adverse effect on China's relations with the ASEAN countries as China itself is developing economic relations with Taiwan. In fact, in view of its own size and political weight in the region China need not see Taiwan as its competitor, at least not vis-à-vis the ASEAN countries. China's position vis-à-vis the ASEAN countries could be strengthened if China could become an important item in ASEAN's overall, and not just in its economic, agenda. Here is where China needs to put its diplomatic efforts.

Japan is one of the most important markets for both China and the ASEAN countries. ASEAN's exports to Japan is currently about twice the volume of China's exports to Japan, and it is to be expected that China and ASEAN are bound to compete in the Japanese market, particularly in light manufacturing products. China was once regarded as a main competitor of Indonesia in the Japanese petroleum import market. This is no longer the case as China's net exports of oil dwindles. In fact, China now imports oil from Indonesia. China and the ASEAN countries should consider whether they should develop joint approaches vis-à-vis Japan or whether their interest will be better served by competing with each other. However, it is also possible that competition between China and Indonesia and the other ASEAN countries will be reduced through Japan's implementation of its "blueprint" for the creation of an Asian production structure. It is not immediately clear in how far China is willing to become part of a regional production structure with Japan as its core. China is not eager to take part in the so-called "flying geese pattern" of regional development that entails a kind of international division of labour which is more or less determined by Japan. However, it is a fact that Japan will play a dominant role in the regional economy because it is the

region's main source of capital and technology.

Japan's foreign direct investment (FDI) has been the main instrument for the creation of the regional production structure referred to above. Japan's FDI into China and the ASEAN countries have increased quite dramatically during the second half of the 1980s. As of March 31, 1990 Japan's cumulative FDI in Indonesia amounted to US\$10.4 billion, and an additional US\$12.8 billion was invested in the other ASEAN countries. Japan's FDI in China is much smaller than that in ASEAN, but has reached US\$2.5 billion in March 1990.<sup>11</sup> Japan's official development assistance (ODA) is also widely regarded as an additional instrument that Japan has at its disposal in creating the regional production structure. Indonesia and China are Japan's top recipients of its ODA. Since 1979 Japan has consciously adopted a policy of maintaining

a balance in providing aid to China and to Indonesia (and ASEAN).

It is in view of this triangular relations, China-ASEAN-Japan, that some kind of a regional structure might be beneficial for the regional as well as for the promotion of China's bilateral economic relations with Indonesia and with the other ASEAN countries.

### A Concluding Sentence

The above examination points to the need for a fresh approach in promoting Sino-Indonesian bilateral trade and economic relations because the existing policies and the underlying proposition guiding the relationship are not viable in the longer term; in formulating a fresh approach both sides need to seriously take into consideration the developments in the Asia Pacific regional environment. Will their views on this development converge or diverge?

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<sup>11</sup>*Antara*, 12 December 1990.



# The Security of Southeast Asia in A Changing Strategic Environment: A View from Indonesia

*J. Soedjati DJIWANDONO*

**T**HE Cold War is dead. East-West confrontation is a thing of the past. What kind of "world order" so frequently mentioned of late by world leaders is likely to emerge in its wake? How would these developments at the global level likely impact on the Asia-Pacific region, particularly the countries of Southeast Asia, individually as well as collectively, in terms of security? What would be the possible impact of the decline of the Soviet presence and the corresponding US military withdrawal from the region? What would be the security situation like in light of these developments? How would they perceive their national and regional security in the face of the new challenges posed as well as the new opportunities created by such developments?

For Southeast Asia, and indeed for the Asia-Pacific region and the world at large,

the strategic environment is changing fast. Bloc alliances characteristic of the Cold War and represented particularly by NATO and the Warsaw Pact in Europe are no longer relevant. And while the Warsaw Pact has been disbanded and NATO is searching for a new role, the CSCE (Conference on Security and Cooperation in Europe) is assuming greater significance.

In the Asia-Pacific region, SEATO has been defunct since even before the end of the Cold War, the ANZUS has gone through a crisis because of the recalcitrant attitude of one of its members, the FPDA (Five Power Defence Arrangement), and indeed the multi-lateral alliance system, have been called into question. What framework of security co-operation is likely to be appropriate for the countries of the Asia-Pacific, particularly Southeast Asia?

What follows is an attempt to find answers to such questions, if without any pretension to be comprehensive, let alone exhaustive. It will limit the discussion to certain specific issues of security in Southeast Asia in the light of the changing strategic environ-

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ment, particularly from an Indonesia-ASEAN perspective. Indeed, ASEAN has often been designated as the cornerstone of Indonesian foreign policy since its establishment in 1967, with which Indonesia's strategic interest is immediately linked.

## Complexity of Security Concerns

The great diversity that characterises the Asia-Pacific region in so many respects is reflected also in the diversity among the countries of the region regarding their perception of threats to their security. This is definitely true with respect to Southeast Asia, which forms part of the wider Asia-Pacific region. In terms of security, therefore, the region is so unlike Europe, which for over four decades of the Cold War had been more or less neatly divided primarily between East and West, marked respectively by the forces of the Warsaw Pact on the one hand and those of NATO on the other, apart from some traditionally neutral nations outside either of the two military alliances.

To point out that stark difference between Europe and the Asia-Pacific region in security terms, however, is not to deny the fact that East-West competition or even confrontation that marked the Cold War for over four decades had had its impact on the latter, and indeed the world over. It has definitely left its unmistakable imprint even to this day. The process began especially with the outbreak of the Korean War in 1950, which marked the beginning of the extension of US containment policy against what was then perceived, rightly or wrongly, as the worldwide communist threat from Europe to the Asia-Pacific region.

In Southeast Asia, the impact of the Cold War has been reflected in the involvement of the Philippines and Thailand in a security

alliance with the United States. And beyond Southeast Asia, either on bilateral or multilateral basis, Japan and South Korea in Northeast Asia, and Australia and New Zealand in the South Pacific, have also been engaged in security arrangements with the United States against the communist threat, be it the Soviet or Chinese version or, at an earlier stage, both, when the world communist movement was thought to be monolithic in nature.

On the opposite side, if less intensive, less extensive, and on purely bilateral basis, we may note the Soviet alliance with Vietnam in Southeast Asia and with North Korea in Northeast Asia. And while Malaysia and Singapore have continued to be associated with the United Kingdom, Australia and New Zealand in the FPDA, if without a well-defined perception of a potential source of external threat, notably Indonesia has remained uncommitted and opted for non-alignment in its defence and foreign policy.

To look into the problems of security in Southeast Asia and the Asia-Pacific region at large solely from the Cold War perspective, East-West competition, or communist - anticommunist confrontation, however, is oversimplistic. This is true not only because a great number of countries in the region are primarily concerned with internal rather than external sources and forms of threat to their security. Changing alignments, not only between communist and noncommunist states, such as rapprochement between Japan and the PRC and detente between the latter and the United States, but also between communist states, such as the Sino-Soviet dispute, now Sino-Soviet detente, the Chinese-Vietnamese conflict and for a time Vietnamese-Cambodian confrontation, have helped to complicate the security situation of the region and reinforce the diversity and complexity of threat perception among the countries therein, especially as far as external



sources and forms of threat are concerned.<sup>1</sup>

When the chips are down, however, most of the countries of the region would tend to fall back on their more traditional perceptions of threat shaped by their historical backgrounds, geopolitical position and other social, political, economic and cultural factors.<sup>2</sup> Thus in the light of the Sino-Soviet dispute in the past, some countries came to make a distinction between the Soviet and Chinese threat, one more or less real or imminent than the other.<sup>3</sup> Since the Vietnamese invasion and occupation of Cambodia near the end of 1978, Thailand, as a "front-line" state, has felt more threatened, in whatever sense, by Vietnam. And if for different reasons, Thai hostility towards Vietnam has been shared by Singapore.<sup>4</sup> Furthermore, being in a sense a reflection primarily of Chinese-Vietnamese conflict, the Cambodian conflict has encouraged Thailand to seek alignment with China, a process facilitated by Sino-American rapprochement.<sup>5</sup> At the same time, Thailand has considered the Soviet Union, a friend of Vietnam's, thus a friend of an enemy's, a more potential source of threat than China.

Thus while the security concerns of the countries in Southeast Asia do relate to a large extent to the great powers and while the atmosphere of the Cold War has had its impact on the security orientation of these countries, their perceptions of threat have not been confined to the Cold War division of the world. Furthermore, although Japan is an ally of the United States, some countries in East and Southeast Asia, including even some allies of the United States too, have continued to be concerned over the possibility of a future threat posed by the resurgence of a militarised Japan.

Finally, mention must be made of a perception of threat posed by neighbouring countries. The case of Thailand's concern with the Vietnamese threat has been made earlier. Then on the basis of past experience, notably Indonesia's policy of confrontation, as well as shaped by such constant factors as geography and demography, there are most certainly some lingering suspicions on the part of such countries as Singapore and Brunei Darussalam (as well as PNG in the South Pacific), of a possible threat posed by their giant neighbour, Indonesia.

<sup>1</sup>For a discussion on the national perceptions held by countries of the Asia-Pacific region, see Charles E. Morrison, ed., *Threats to Security in East Asia-Pacific: National and Regional Perspectives* (Lexington, Mass., D.C. Heath and Company, for Pacific Forum, 1983).

<sup>2</sup>For perceptions of threat held by the ASEAN states, see J. Soedjati Djiwandono, "ASEAN's Security Concerns and Responses", in *Western Pacific Security Re-examined: Problems and Prospects* (Taipei: The Freedom Council, 1985), 115-128.

<sup>3</sup>See *idem*, "The Soviet Presence in the Asian Pacific Region: An Indonesian Perspective", *Asian Affairs* (an American Review) 11, no. 4 (Winter 1985): 21-39.

<sup>4</sup>Michael Leifer, *ASEAN and the Security of Southeast Asia* (London: Routledge, 1989), 92.

<sup>5</sup>See Muthiah Alagappa, *The National Security of Developing States: Lessons from Thailand* (Dover, Mass.: Auburn House Publishing Company, 1987).

## Changing Strategic Environment: Security Implications

The end of the Cold War and, particularly for Southeast Asia and the Asia-Pacific region at large, the Sino-Soviet detente, are likely to help create a more peaceful international climate favourable for the national developments of the resident states. They are likely to reduce the possibility of these countries getting embroiled in a great power competition and confrontation. They are likely also to reduce the threat of external power interference in either domestic or regional conflicts. Indeed, the new relationship among the major powers may even be expected to help resolve regional conflicts.



Great power interference, however, is just one dimension of regional conflicts, especially if such conflicts are considered to have a bearing on the strategic calculations of major powers such as the Vietnam war in the past, Indonesia's confrontation with the Dutch over West Irian and its confrontation against Malaysia. What is more important is that apart from the impact of the Cold War and such a major power conflict as the Sino-Soviet dispute, the seeds of domestic and regional conflicts are more often than not to be found within and among the regional states themselves. Major power involvement or interference, because of antagonism between the major powers themselves, has served mainly to aggravate the conflict situation.

What follows logically from the above argument is that unless a domestic or regional conflict is considered to form part of the strategic calculations of major powers, either in the context of the Cold War or such a major power conflict as that between China and the Soviet Union, there should be little temptation for major power involvement or interference. Now that the Cold War is dead and China and the Soviet Union are reconciled, such recent conflict situations as in Myanmar and the Philippines have not indicated any sign of external interference by major powers.

An interesting case is the Cambodian conflict, which has been in a sense also a reflection of Sino-Soviet dispute. Yet the current Sino-Soviet detente has not appeared to contribute much to efforts at a solution of the conflict as may have been expected.<sup>6</sup> There has been speculation that judging by the intransigence of the Khmer Rouge, which have continued to enjoy the Chinese support,

it does not seem inconceivable that rather than assisting in the efforts at a solution of the Cambodian conflict, the Chinese may be tempted to try to benefit from the decline of the Soviet power to their own advantage,<sup>7</sup> thereby asserting their own influence in Southeast Asia and perhaps, beyond. And now that they maintained good relations with the United States and Japan, the Chinese may be cashing in on the possibility that neither the Soviet Union, nor the United States nor Japan are likely to react too strongly to their behaviour in that respect.

If that should be the case, then the end of the Cold War and the attendant decline of superpower presence in the Asia-Pacific region as well as Sino-Soviet detente, may not necessarily mean greater assurance for peace and stability in the region, including Southeast Asia, that is to say, if some great power or powers should attempt to benefit from the changing strategic environment to serve its or their own ends, perceiving, for instance, the emergence of a "power vacuum" in the region. As far as the Cambodian conflict is concerned, however, a more plausible explanation for its protractedness may be the fact that there is little progress in the process of normalisation of Sino-Vietnamese relations. As referred to earlier on, the conflict has been to a large degree a manifestation of Sino-Vietnamese conflict. And though many would point to the Vietnamese invasion as the beginning of the Cambodian conflict, it seems to be basically an internecine conflict among the Cambodians themselves.

One basic question now is what kind of world order is to emerge in the wake of the end of the Cold War. Another is, as far as Southeast Asia and the wider Asia-Pacific region are concerned, whether the emerging new world order is likely to help solve existing regional conflicts.

<sup>6</sup>See Djiwandono, "Sino-Soviet Detente and South-east Asia", *Pacific Review* 1, no. 3 (Oxford University Press, 1988): 306-11.

<sup>7</sup>Mark N. Katz, "The Decline of Soviet Power", *Survival* (January-February 1990): 15-29.



In Europe, things seem a lot simpler. What had been perceived as the Soviet threat for over four decades almost suddenly and abruptly disappeared as a result of the crumbling of the Soviet empire in Eastern Europe as one communist regime after another were stripped of their monopoly on power in consequence of sweeping reforms triggered by Mr. Gorbachev's *glasnost* and *perestroika*. The Cold War, founded, from the West point of view, on the emergence of the Soviet threat in Western Europe at the end of World War II and symbolised by the division of Germany, ended unexpectedly, much sooner perhaps than anyone, either in the East or in the West, had ever hoped or expected. And now that the Cold War has ended, the Warsaw Pact having been disbanded and NATO about to assume new roles, the EEC preparing for the single European market next year while considering to help rehabilitate and accommodate the newly liberalised countries of Eastern Europe perhaps in the context of remaking Europe towards a European common house or a confederation of Europe or some other new system, the strengthened CSCE seems to be the model framework more firmly in place by which to manage the emerging new pattern of relationship and cooperation. And now that the Soviet threat has disappeared and the countries of Eastern Europe seem to go back to their more traditional and historical security problems particularly related to their unfinished business of frontiers or ethnic tensions until then swept under the carpet by the imposition of communist rule, either the CSCE machinery or bilateral arrangements are likely to be able and available to deal with the possibility of new security problems.

In Southeast Asia and the wider Asia-Pacific region, however, it remains to be seen if the emerging new world order in lieu of the Cold War, characterised by great power detente, will be able to help resolve regional

conflicts, actual or potential. For one thing, if the new world order is to be some kind of a multipolar balance of power as a result of the evolving new relationship among the major powers, beginning with Sino-US and Sino-Japanese detente in the early 1970s and then Soviet-US detente crowned by the end of the Cold War in the following decade, then great power detente in the Asia-Pacific region is yet to be complete pending normalisation of Soviet-Japanese relations. For another, the end of the Cold War is to mean only the disappearance of one dimension of security of the region. It is not likely to reduce, let alone eliminate, the seeds of conflicts, real as well as potential, inherent in the region itself, both within and among the resident countries themselves. And to those cases of conflicts already mentioned, one must add the oft-repeated potential source of future conflict involving some countries of Southeast Asia and beyond, namely, the South China Sea, because of claims and counter claims to sovereignty over the Spratlys and the Paracels.

### Implications of US "Withdrawal"

Worse still, if in Europe the end of the Cold War has resulted in greater assurance of international peace and security, for the Southeast Asia and the Asia Pacific region, it would not only mean the disappearance of just one dimension of security as just mentioned, but it may create new security problems. Therefore, it does not necessarily mean greater assurance of peace, stability and security.

In the first place, while the decline of Soviet military presence in the region, such as the Soviet withdrawal from Mongolia, Afghanistan, Sino-Soviet border, and from Vietnam, does not seem to creat much fuss, the prospect of US withdrawal from the region, though limited, for the United States will remain a major Pacific power and is likely to continue to occupy a dominant



position in so many respects, seems to have worried its allies and friends alike in the region, which have tended for long to take US presence for granted. After all, for over four decades, the United States has dominated the region. It has enjoyed a preponderant position politically, economically, and military, despite its withdrawal from Vietnam over a decade ago and despite the Guam or Nixon doctrine that has generally been the accepted wisdom governing US policy in the region ever since under different administrations. It has maintained security commitments to a number of countries on bilateral as well as multilateral basis and continued to enjoy military bases around the region, its 7th fleet patrolling the Pacific as well as in part even the Indian Ocean.

Indeed, even among the uncommitted nations some people seem to feel assured of the lingering US military presence behind their backs. As one observer has put it, "None of them wants to be identified with it, nor looks on it with total approval, and Indonesia least of all; but all see it, despite nominal nonalignment, as their ultimate insurance."<sup>8</sup> And the argument has often been put forward among ASEAN circles, furthermore, that the US bases in the Philippines have ensured the peace and stability of Southeast Asia, if not the Asia-Pacific region at large.

Such a proposition, however, is at best one of doubtful validity, which would depend, of course, on the strength of its underlying assumptions. One of these seems to be that without US bases in the Philippines the region would have been unstable. This would not only be presumptuous but it would tend to overlook the role of the regional states, particularly the member countries of ASEAN, which, by promoting good neighbourly

relations within the framework of the association, have helped prevent external interference in the domestic and regional affairs of Southeast Asia, at least as far as ASEAN is concerned. This form of external threat has been a major preoccupation of the ASEAN states, which had motivated the establishment of the association over more than two decades ago.<sup>9</sup>

Moreover, how would one account for the instability that has beset the individual countries of the region over the years, none the least of all the Philippines, which has hosted those very bases for over four decades? Indeed, the suggestion that the US bases in the Philippines have contributed to the stability of the region may neither be proved nor disproved, particularly if one should think in terms of external threats. It is not unlike the proposition that nuclear deterrence has prevented a nuclear war and therefore it has worked, whereas the most one can say is that it has not failed.<sup>10</sup>

Likewise, the usual description of US military presence in Southeast Asia and the Asia-Pacific as being "benign" and therefore needs to be maintained, including its bases in the Philippines, needs qualification. For friends and allies of the United States, that is

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<sup>9</sup>I have argued this point on a number of previous occasions; see for instance, "Indonesia's Relations with other Southeast Asian Countries" in *Southeast Asian in Transition: Regional & International Politics*, ed. Jae Kyu Park & Melvin Gurtov (Seoul: The Institute for Far Eastern Studies, Kyung Nam University, 1977); "The Political and Security Aspects of ASEAN: its Principal Achievements", *Indonesian Quarterly* XI, no. 3 (July 1983): 19-27; "The Role of ASEAN in the Asia-Pacific Region" in *Regional Cooperation in The Pacific Era*, ed. Dalchoong Kim & Noordin Sopice (Seoul: Institute of East and West Studies, 1988), 381-403; and "ASEAN Regionalism: Indonesian Perspectives on the Role of the U.S. & Japan", in *Trilateralism in Asia: Problems & Prospects in U.S.-Japan-ASEAN Relations*, ed. K.S. Nathan & M. Pathmanathan (Kuala Lumpur: Antara Book Company, 1986), 63-79.

<sup>10</sup>Gerald Segal, *Nuclear War & Nuclear Peace* (London: The MacMillan Press, 1983), 19.

<sup>8</sup>Thomas B. Millar, "The Far East in the Defence Equation", *NATO'S Sixteen Nations* (October-November 1982): 31.



understandable. But not all countries in the regions have been friends or allies of the United States at all times. One should also call to mind such countries as North Korea, Vietnam, and at a time China, or even Indonesia. In the late 1950s, for instance, US bases in the Philippines facilitated intervention in Indonesia's domestic affairs, when it was faced with a separatist rebellion against the central government of President Soekarno, to whom the US government of that time was not well-disposed, to put it mildly. And in the event of a similar development, the United States may not hesitate to use its preponderant power to intervene in domestic or regional conflicts, particularly against a regime not to its liking. The experience of Indonesia is one case in point. That of Vietnam is another. And among the most recent examples are the experiences of some central American countries, particularly Grenada and Panama.

This is not to suggest either that the United States should or should not withdraw militarily from the Asia-Pacific region. It is the business of the United States itself. One is not to deny the obvious that the United States is not only a great Pacific power but also a global power with global interests, and it will remain so. It makes no sense to suggest that the United States will withdraw from this region. Its military presence may very well decline, if that should be its choice, for whatever reasons. It may also decline in relative terms primarily as it relates to it would be a different question, however, when the United States as a global and superpower is interested in projecting its power through the use of bases in a foreign country. This will certainly be made possible by a convergence of interests with the host country. As far as Indonesia is concerned, though in principle it is against any military alliance and the presence of any foreign military bases - that is, on its soil - because of its independent or nonaligned foreign policy, its

position has been accommodated in the ASEAN (Bangkok) Declaration, which says *inter alia*, "that all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert the national independence and freedom of States in the area or prejudice the orderly process of their national development."

Such a position naturally applies to the US bases in the Philippines. But to suggest that all the ASEAN states should assume joint responsibility for the US military presence in the Philippines on the ground that it is a contribution to regional security,<sup>11</sup> sounds like imposing a certain security concern on the rest of the ASEAN states. Such a suggestion, in fact, would be self-defeating not only for the Philippines itself but also for ASEAN as a whole.<sup>12</sup>

At this point, perhaps the question of US military withdrawal or rather a decline in US military presence in the Asia-Pacific region, including particularly the possible withdrawal of US bases from the Philippines, may be better assessed in the context of US-Japan security alliance. Unless and until real normalisation of relations between Japan and the Soviet Union is realised, US military withdrawal from the region, even if applied only to the US bases in the Philippines, may affect Japan's sense of security. In the worst-case scenario, Japan might finally find an excuse to "go it alone" in the event that US commitment may be perceived as losing its credibility. This would not be a welcomed development for the countries of Southeast Asia, which, genuinely or otherwise, still often worry about the possibility of a remilitarised Japan.

<sup>11</sup>See Leifer, *ASEAN and the Security of Southeast Asia*, 156.

<sup>12</sup>See Djiwandono, "ASEAN and the U.S. Bases", *Indonesian Quarterly* XVI, no. 2 (April 1988): 161-165.



It is therefore in the interest of the countries of Southeast Asia, and beyond, that the United States should maintain its security commitment to the defence of Japan. Indeed, they are not likely to have any objections to an increasing security role for Japan insofar as it is to be in the context of burden sharing and security ties with the United States, which would serve as a restraint on Japan. This should reassure Japan's neighbours that they may still harbour some lingering doubts about its future intentions.

If on Japan the United States may serve as a restraint regarding its international behaviour, and thus playing a positive role in the region, in point of fact such a role may also be played by US military presence with respect to other major powers if short of a military alliance. In that sense the United States would serve as a regional balancer. Indeed, this is likely to be the case should the "new world order", particularly as applied to the Asia-Pacific region, in place of the dead Cold War take the form of a multipolar balance of power. But whether or not such a role is predicated on the maintenance of US military bases seems to be a moot point.<sup>13</sup>

The kind of multipolar balance of power that would be beneficial for the countries of the Asia-Pacific, including Southeast Asia, however, is likely to be one in which no single major power occupies a preponderant position. For as referred to earlier, while such a preponderant power may be described as "benign" by friends and allies, it may also be readily used for intervention in the domestic affairs of other countries motivated by anything but altruistic interests.

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<sup>13</sup>It has been argued that: "Whether or not formally non-aligned, all ASEAN governments look to the United States as a guarantor of stability in the regional balance of power. Expectations of the United States in this role are predicated on its continued operational control of military bases in the Philippines..." Leifer, *ASEAN and the Security of Southeast Asia*, 155.

## In Search of a Framework

In view of the complexity of security concerns and threat perceptions among the countries of Southeast Asia, let alone of the wider Asia-Pacific region, as discussed above, especially as far as external sources and forms of threat are concerned, it is small wonder that security arrangements between states in the region have been established primarily on a bilateral basis. Multilateral security cooperation has never reached the degree of maturity and performed well-defined functions as understood in Europe with respect to NATO and the now defunct Warsaw Pact. And if this has been true even since the height of the Cold War, it should be the more so today, when there is greater uncertainty in the region, particularly regarding the kind of power constellation that will obtain in the wake of the Cold War. So unlike Europe, as discussed above, the region has been characterised by changing alignments among nations.

While such a tendency may well continue to mark the region for a long time to come, rendering the security situation almost constantly fluid, diversity in so many other respects is a constant feature. In security terms, this will mean a continued lack of commonality among the countries of the region as regards perception of threat and thus responses to threats. And this means, in turn, that especially now that the Cold War is dead, a multilateral approach, form, structure or framework for security cooperation among nations seems no more appropriate than ever, in the absence of a common perception of threat that would serve as the glue to bind them together in such an undertaking.

The need for a common perception of threat is a prerequisite for a multilateral security cooperation, especially if it is to be understood as a form of military alliance, for



it must be clear as to against what kind or form of threat, above all military in nature and externally sourced, such an alliance is to be directed. Indeed, the need for such a common perception of threat is likely to be less urgent if such an approach should be meant to deal with security in a more comprehensive sense. This idea seems to underlie the establishment of CSCE, which has now been strengthened for the purpose of dealing with security problems among the nations across the Atlantic in the face of the decreasing relevance and changing nature of NATO and the dissolution of the Warsaw Pact in the wake of the Cold War.

Would CSCE serve as an appropriate model for the Asia-Pacific region as proposed by Mr. Gorbachev in his Vladivostok speech of July 1986, or as proposed by Canada and Australia in the form of CSCA? It seems to be plain prejudice to reject the idea out of hand only because it is a Western idea, which as such will be inapplicable to the Asia-Pacific region.

Indeed, it would only be fair to look more closely into the proposal and to examine its possible implications and applicability to the region. The most important question to be asked is what aspects of CSCE are to be the model to emulate and to apply here. In Europe the CSCE is first and foremost a confirmation of the status quo as established since the end of World War II. Understandably, the Soviet Union was the first to gain from such a confirmation, which it had sought to obtain for its newly created empire in Eastern Europe.

If that should be the case, then CSCE cannot possibly be applicable to the Asia-Pacific region, at least under the present circumstances. Frontiers are still in dispute such as the Northern territories between Japan and the Soviet Union; sovereignty over the Spratlys and the Paracels in the South

China Sea; the issue of the Korea peninsula; the unsettled Taiwan question vis-a-vis the PRC; the Philippine claim to Sabah, to mention one of the intra-ASEAN disputes over boundaries; and the protracted Cambodian conflict.

Only after such disputes are resolved could a *status quo* be established and confirmed in the Asia-Pacific region acceptable to all the nations concerned. And then one can speak of another aspect of CSCE, which is the free flow of ideas and people across national boundaries, to be applied to the region.

Finally, it is indeed questionable if the countries of the Asia-Pacific region are ready and willing under the circumstances and at their present stages of development, to discuss issues of human rights, another aspect of CSCE. This is not to say that the countries of the region do not respect human rights. But in view of differences of historical, social, traditional and cultural nature, in social and political system, stage of economic development, ideological orientation, and so on and so forth, there are bound to be issues of standards and values that are likely to complicate any discussion of human rights that would render it unfruitful.

However, there seems to be no harm in initiating an informal multilateral forum for dialogue among the countries of the Asia-Pacific region, for exchange of information and ideas on all sorts of common problems. At this stage, however, such a forum is likely to be meaningful primarily as one for confidence building, for mutual trust and understanding. It should not be in the nature of an organisation nor should there be a definite agenda. Particularly, the term "security", which means different things in Europe and in the Asia-Pacific region, even among the countries of the region themselves, and therefore may be sensitive, may preferably be



avoided. It would otherwise be a non-starter.

Such seems to be the proposal put forward by Mr. Gorbachev during his visit to Tokyo in mid April this year.<sup>14</sup> He proposed a conference among the Soviet Union, the USA, the PRC, Japan and India to discuss regional security issues. From the point of view of both the format and the issues to be discussed such a proposal seems unrealistic. The rationale for the choice of participating nations remain unclear, especially the mention of India, while no reference was made to such countries as Indonesia and Australia.

The most realistic alternative would be the bilateral and at most subregional approach. On bilateral basis a commonality of problems, interests, and perception tend to be easier to identify. But the Asia-Pacific region is so vast and so diverse as to warrant the need for interlocking network of bilateral cooperations, especially if such a network should be expected to take the form of a "spoked wheel" with a major power acting as the "hub".<sup>15</sup> For such an arrangement may be tantamount to a preponderant position occupied by the "hub" nation.

The subregional alternative has been represented by ASEAN regional cooperation, whose establishment was motivated primarily by political and security consideration,<sup>16</sup> but which maintains security cooperation between its member states on bilateral basis outside the framework of the association. One basic idea underlying ASEAN regionalism is for its member states to put their own houses in order by promoting good-neighbourly relations and cooperation so as

to prevent domestic and regional conflicts, thereby preventing external interference.

Indeed, despite great power detente and the end of the Cold War, the nature of international relations is such, namely, dominated by sovereign and independent states, that the great powers are likely to continue their competitive relationship, if short of war. This would imply that the countries of Southeast Asia may continue to be an arena of great power rivalry, for whatever ends, even if the danger of getting involved in a great power conflict may now be reduced. It would also imply that they may continue to be subject to the threat of external interference, especially in the event of domestic instability or a regional conflict.

As ASEAN's experience shows, regional cooperation helps to sweep intra regional conflicts, actual as well as potential, under the carpet, at least for the time being. This is by no means to suggest an ostrich-like approach to existing problems. But the climate created by more and more intensive and increasingly institutionalised regional cooperation, which helps promote mutual trust and understanding, is likely to help solve the problems without resort to the use or threat of violence.

Indeed, ASEAN was established in the first place as an act of reconciliation between former adversaries.<sup>17</sup> Similar regional or subregional cooperations elsewhere may not necessarily have a similar history. But the underlying idea behind ASEAN regionalism may be applicable to other subregions of the Asia-Pacific. In fact, it may eventually even help to solve existing disputes such as in the South China Sea and thus avoiding the outbreak of an armed conflict, if the countries involved should seek first possible areas of common interests with a view to promoting cooperation for common benefit. In the course of time the promotion of such cooperation in various fields are likely to

<sup>14</sup>Jakarta Post, 18 April 1991.

<sup>15</sup>See a discussion by Peter Polomka, "Towards a 'Pacific House'", *Survival* XXXIII, no. 2 (March-April 1991): 173-183.

<sup>16</sup>See note no. 9; see also Leifer, *ASEAN and the Security of Southeast Asia*.



create an atmosphere that would be favourable to efforts to iron out differences that would otherwise be a potential source of future conflicts.<sup>18</sup>

The ideals of ASEAN regionalism, therefore, deserve to be continuously promoted

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<sup>17</sup>See *ibid.*, particularly Chapter 2.

<sup>18</sup>See special issue of *Indonesian Quarterly* XVIII, no. 2 (Second Quarter, 1990), on "South China Sea: Views from ASEAN."

not only in Southeast Asia but to other subregions in the Asia-Pacific as well. And last but not least, such ideals are to be socialised and communicated to successive generations among the ASEAN states themselves so as to ensure their continued commitment. This will help prepare the confidence and capability of the countries of Southeast Asia, individually as well as collectively, to enter the Pacific Century as full participants.

# Asia Pacific Developments in the 1990s

*A. Hasnan HABIB*

**T**HIS paper attempts to examine and analyse the various post-Cold War issues affecting security and stability in the Asia-Pacific region well into the 1990s and perhaps beyond. Due to the vast extent of Asian territory and its diversity, both of physical elements and populations, the focus is on the Pacific Rim, comprising Northeast Asia, composed of China, the two Koreas and Japan with a predominantly Sinitic culture, and Southeast Asia which consists of Burma, the six ASEAN countries, and the three Indochinese states, characterised by its great diversity of ethnic groups, languages, religions and political systems. It is a politically and militarily conflict-ridden region, heavily armed, but economically highly dynamic growing at rates much higher than any other region in the world.

The stability of the Pacific Rim is influenced largely by the interaction between the two former Cold War superpowers situated at the opposite ends of the vast Asia-

Pacific region, and their respective policies and roles towards the region. They are: the United States which is and committed to remain a Pacific power, and the Soviet Union, a "non-Asian" Asian country determined to become "an Asian" Asian power. The region's stability is also affected by other major powers of the region, such as Japan and the People's Republic of China (PRC), and even by sub-regional states albeit their influence is confined within the sub-region itself, and other important issues, due to the increasing interdependency among the region's countries. So, a large part of the analyses deals with the two great powers.

## Changing US-Soviet Relations: A Short Review

Sino-American hostility which came into the open following the outbreak of the Korean War in 1950, was the most salient feature of the Asia-Pacific region during the Cold War. The PRC and the United States were the two dominant actors in this region, prior to the emergence of the USSR as a naval power and Japan as an economic

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superpower. Since China was not strong enough to directly confront the American strategy of containment, it resorted to the indirect strategy of subversion, infiltration, insurgency and support for "revolutionary wars" and "wars of national liberation" against the American allies and the non-communist countries of the region.

The 1970s saw fundamental changes in the region: the Shanghai Communique, followed by the establishment of diplomatic relations between the US and the PRC; the escalating Sino-Soviet confrontation; the end of the Vietnam War; Japan's spectacularly growing economic strength; Vietnam's invasion of Kampuchea, and of Afghanistan by the Soviets; all resulted in geopolitical confusion and the realignment of powers. A new line-up came into being; former allies became new enemies and former enemies became new friends.

*Detente* ushered in by the SALT (Strategic Arms Limitation Treaty) I ABM (Anti Ballistic Missiles) Treaty of 1972 and the above cited developments brought Pax Americana to its end. But it gave the Soviet Union the opportunity to build up its naval power and expand its influence in the region. Its military forces on the northern islands of the Japanese archipelago were strengthened and "Sovietisation" of Indochina was started immediately after Hanoi's victory in the Vietnam War.

Moscow supported Vietnam's invasion of Kampuchea at the end of 1978 and gradually consolidated its military foothold in South-east Asia. For the first time in history the USSR succeeded to establish a military presence in Southeast Asia which, together with its bases in Northeast Asia, threw an encircling net around China, which also seriously challenged America's Seventh Fleet in the Pacific and Indian Oceans and thereby threatened the strategic international sealanes that link the two oceans. In contrast

to the growing power and influence of the USSR, the US appeared weak and vacillating.

Ronald Reagan's first administration which began in 1981, marked a turning point in America's declining world prestige and credibility. His tough attitude and actions to reassert America's prestige in the world by continuously challenging and obstructing the "evil empire", killed detente, and reintroduced the Cold War. Superpower relations resumed their former characteristics of mutual distrust, hostility and confrontation.

President Reagan's massive \$1.5 trillion "Rearm America" programme, while restoring US military muscle and clout, also escalated the arms race. The US tried to draw Beijing into a relationship of "strategic alignment" against the common enemy, the USSR. For a while China was interested and even called for the establishment of a broad international united front against Soviet hegemonism, in which the US was included. Sino-Soviet relations reached their lowest point when the thirty-year treaty of Friendship, Cooperation and Mutual Assistance was abrogated in April 1980.

The change of Soviet leadership in early 1985 coinciding with the beginning of President Reagan's second term of office, and US newly restored strength and confidence, set the stage for another change in superpower relations. Gorbachev's rise to power transformed US-Soviet confrontation to co-operation on many issues of global and regional importance. The first breakthrough was produced by the conclusion of the INF treaty in Washington, D.C., in December 1987, followed by the Soviet withdrawal from Afghanistan barely one year later. And ever since, especially after the crumbling of the Berlin Wall in November 1989 signalling the end of the Cold War, both countries have been moving ever closer toward each other.



For a while it looked as if the two former adversaries had completely shed their paranoia of each other's global designs and that henceforth continuing co-operation could be expected. Indeed, it was this changed relationship that had made the UN Security Council, for the first time since the end of the second World War, an effective instrument in dealing with the recent Gulf Crisis. But even though they succeeded in preserving unity until the end, Gorbachev's last-minute peace initiative to prevent the US from launching the final ground offensive and help Saddam Hussein escape total humiliation, caused cracks in the new Soviet-American partnership.

This event demonstrates that durable co-operation between two powers with completely different systems cannot be taken for granted. It needs constant nurturing and conscious effort by both sides. But even in the best of times, countries' interests can never be always identical. Geography, domestic pressures, perceptions, prestige, pride, value system, personalities, and other factors, all play an important role. So, regardless of whether the post-Cold War and post-Gulf War world will be unipolar or multipolar, it will in all probability be an unpredictable one.

## Post-Gulf War Relations

The fact that the US emerged out of the Gulf War a victor and sole superpower, has caused mixed reactions, particularly among the Third World countries. It proved that the global strategic balance of power which had played such a pivotal role in maintaining global peace during the Cold War era, and provided some leeway for the lesser powers' struggle for a more equal co-existence with the more advanced countries, was there no more. Indeed, it was the "demise" of the Soviet Union in the global arena in the first

place, bringing about a "systemic imbalance", of the Iraqi invasion of Kuwait and inflict defeat upon it.

Its skilful diplomacy in the UN Security Council, always getting what it wanted, its ability to hold together an unlikely alliance of some 28 countries, and its military and technological professionalism in fighting a war with the "latest of the art" technologies, and most of all its will and capability to project its military might abroad to secure its interests, were both awe-some and depressing. It raised the specter of a super-power imposing a "Pax Americana" reminiscent of the "Pax Britannica" in the Asia-Pacific region before it was shattered forever by the Japanese Imperial Army in 1941. On the other hand, however, smaller Asia-Pacific nations feel comfortable to know that bigger (regional) nations will not be allowed to get away with bullying smaller nations, if — and this is a big if — they happen to stand for one or another direct and vital American interest.

The Gulf Crisis has shown the fragility of the post-Cold War conventional wisdom saying that economic and technological might outweighs the importance of political and military power, and that military capability as the yardstick for power and influence is giving way for economic and technological power; in other words, economics takes precedence over politics. To be sure, economic strength is necessary but not sufficient, as Japan and Germany have amply demonstrated during the entire Gulf Crisis. Geopolitics as an important component of international relations is not dead, the military dimension still counts.

US demonstration of military power cum effective diplomacy resulting in Iraq's humiliating defeat, Moscow's closest ally in the Middle East, has raised fears and suspicions of US intentions towards the Soviet Union. The possible implication is increased pres-



sure on Gorbachev to stop "kowtowing" to US demands, and to reassert its own interests. Soviet conservatives and the highest military circles were reportedly dissatisfied and disappointed with the radical changes taking place in most East and Central European nations and the dissolution of the Warsaw Treaty organisation stimulated by the new political thinking and the new security policy of the Gorbachev leadership.

Given its virtual political, ideological and economic bankruptcy in Europe, it is most probable that it is in the Asia-Pacific region that the Soviet Union, being an Asian power, will attempt to be more assertive in securing its interests and to prevent the US from gaining overwhelming influence. In other words, to compete more adamantly with the US. Two proposals made by Gorbachev on his recent visit to Japan, illustrate the point. They are (1) disarmament talks in the Northern Pacific as a CBM (confidence building measure), which has always been rejected by the US, and (2) a security conference attended by the foreign ministers of all the Asia-Pacific countries in 1993, in which the US is not interested either.

## US Security Policy and Role

As a Pacific and a maritime power the US cannot but continue to have strong interests in the Asia-Pacific region as part of its continuing worldwide interests and strategy. The region is vitally important to US national interests, given its increasing economic and political dynamism, with a total two-way trans-Pacific trade exceeding \$300 billion annually, 50 percent more than its trans-Atlantic trade. Therefore, its role will remain one of regional balancer, honest broker, and ultimate security guarantor, with the same objectives as before, namely to (1) continue its strategy of forward presence in Asia for the foreseeable future to deter po-

tential aggressors; (2) maintain and broaden access to facilities throughout the region; (3) maintain regional stability and reduce tensions where possible; (4) limit proliferation of nuclear, chemical, and biological weapons, especially on the Korean peninsula; (5) continue to encourage Asian allies to assume a greater share of the responsibility for regional security and stability; and (6) encourage security co-operation among countries based upon agreed mutual interests. The principal elements of this strategy will also remain: forward deployed forces, overseas bases, and bilateral security arrangements.

In the changed global and regional environment of the 1990s, a revival of US-Soviet confrontation is most unlikely. Therefore, reducing both powers' military presence in the region needs to be looked into seriously. The US is indeed planning to reduce its force structure by 10 per cent, or 14,000-15,000 personnel, over the next three years, to be followed by a further reduction over the next 3-5 years, and so on. Japan-US relations remain the linchpin of US policy in the region. This is evident from the reduction plan of US military forces where, beyond some personnel reductions, little change is envisioned in current deployment patterns. The US will also continue to press for an increased political role of Japan in addition to its already important economic role, to contribute more to the maintenance of regional as well as global peace and security.

The prospect for the US military to leave South Korea by the turn of the century will satisfy the increasing Korean dissatisfaction with the Americans. But, there is also a perception that a US withdrawal could leave a vacuum on the peninsula. The possibility of the Japanese, the Russians or the Chinese filling the vacuum, is not an assuring thought to many Koreans, nor to the Northeast Asian countries themselves. There is a general consensus, that the US military presence



there, rather than threatening stability and security, has a stabilising influence.

Anyway, Seoul is in a transition period to take over the leading role in the defence of the peninsula, which here-to-fore is in the hands of an American general. But the basic structure of the CFC (Combined Forces Command) will likely be maintained, perhaps with a South Korean general as head. This is due to the still uncertain strategic developments on the peninsula, which are contingent up on the progress of arms control between South and North Korea and the success in improving the South Korean armed forces, which can fill the gap between the two opposing military capabilities.

## US Economic Role

The economic element of national power in securing above stated objectives is clearly of increasing significance in the region, since the Pacific Rim has become an economic power house. Japan's rapid rise to the rank of economic superpower, the amazingly high growth rates of the "four tigers" — South Korea, Taiwan, Hong Kong, and Singapore — and rapid growth in all the ASEAN countries except the Philippines, far outstrip growth rates anywhere else. The US intends to get directly involved in the region's economic dynamism through bilateral and multilateral approaches, such as the APEC (Asia-Pacific Economic Cooperation). However, US' economic problems, such as the growing national debt which in the 1980s rose from US\$4.7 trillion to more than US\$12 trillion, the debt-servicing of which will pre-empt much-needed new investment and rein in consumption; the widening current-account deficit; the uncertain ending of the savings-and-loan scandal which rocked the nation last year; the continuing decline in national productivity; set against the picture of the rising economic power of

Japan and the Asian NIC's, particularly South Korea and Taiwan; all will combine to produce a possible change of attitude on the part of the US which will impact negatively on the Asia-Pacific economies. That is to say, that the US is likely to press its economic interests with far less restraint on those countries with which the US has a growing trade deficit. Economic nationalism is rising in the US, which will weaken the principle of multilateralism in the trading system. To be sure, the US is still committed to an open and liberal world trading system, but it will pursue a more bilateral G-to-G approach, stricter reciprocity, unilateral retaliation, more exclusive decision-making within the G-7, G-5, or even perhaps the G-3 (US, Japan, Germany). In the Asia-Pacific region, Japan will bear the heaviest pressure, perhaps straining Japan-US relations to the breaking point, which is alarming, indeed.

## Soviet Policy

Ever since Gorbachev's Vladivostok speech in 1986 in which he expressed Soviet interests in the Asia-Pacific region, the Soviet Union has been seeking to be integrated in Pacific Rim development, including its economic dynamism. But, to succeed, it first has to rid itself of the impediments it had created in the past. These include isolation, which has left the Soviet Union without allies in the region except Vietnam; a gap between its growing military power and declining political influence; and a semi-hostile relationship with Japan, the most important economic and technological power of the region.

More than anything else, the Sino-Soviet conflict had been the preeminent reason for Soviet isolation. The conflict had stimulated a heavy-handed strategy, stirring apprehension throughout the region without cowing the Chinese into submission. Soviet con-



tainment of the PRC was paramount, everything else must be subordinated to it making the Sino-Soviet conflict increasingly vicious. So, it was only logical that, in order to break out of the isolation, relations with China must be normalised.

The May 1989 summit in Beijing, the first in 30 years, became the turning point in Sino-Soviet relations. Indeed, the process which began as early as 1981 was the single most important positive foreign policy legacy left by Brezhnev to Gorbachev, who welcomed the legacy and built on it. A little more than a year into his leadership he delivered his first major foreign policy address in Vladivostok in July 1986, in which he featured Asia and, within Asia, China. Two years later he yielded to all three of China's preconditions towards normalisation of relations: a reduction in the Soviet military buildup in the north, a withdrawal from Afghanistan, and an abandonment of the Vietnamese in their Cambodian aggression. On the third precondition, Gorbachev had begun pressing the Vietnamese by 1987 to settle for a political rather than a military resolution of the Cambodian issue and, with or without it, to commit themselves to a military withdrawal. It is clear, that it was mostly through China, that Gorbachev hoped to be accepted by the Pacific Rim countries.

Both countries have agreed to accept the legitimacy of each other's basic values and socialism, and to build relations on realism and pragmatism, and not on ideology. Beijing, at least for now, will persist in the "four cardinal principles", which are (1) adherence to socialism, (2) the dictatorship of the proletariat, (3) the leadership of the Communist Party, and (4) Marxism-Leninism and Mao Zedongism. Each one of the four principles, except socialism which suits the specific conditions of each country, have been discarded in all East-European countries.

In order to speed up the elimination of the impediments, the Soviet Union also has to make itself less threatening to the countries of the region. It was for this purpose that it has cut its military presence in the region, and will continue to bring it down to the minimum strength necessary to protect its vital interests without imposing threat to the security of neighbouring countries. This is what the Soviet call its new security concept, "sufficient defence." During his recent visit to Japan, Gorbachev said that twelve army divisions and sixteen naval vessels will be withdrawn by the end of 1991.

### Integration with the Asia - Pacific Region

The goal of making the Soviet Union a more integral part of the region, partaking of its economic dynamism, participating more fully in its politics, and establishing a more comprehensive presence, will have to go through Tokyo, Seoul, and the capitals of ASEAN countries. Thus, relations with these countries must also be improved.

Japan ranks top in Moscow's priority list with which to normalise relations. It wants Japan to invest in resource-rich but undeveloped Soviet Far East. But developments in Soviet-Japan relations have bogged down in the seemingly insurmountable territorial problem of Japan's Northern Territory occupied by the Soviets during the final days of World War II. The Soviets have always refused to even recognise the issue as a territorial problem between the two countries, which needs to be settled. However, during Gorbachev's recent state visit to Japan, the Soviets finally admitted and recognised the existence of a territorial problem between the two countries, without really addressing the core problem.

Gorbachev was simply not in the position



to negotiate the return of the four islands to Japan, due to military and nationalist pressures to maintain the country's post-war borders and national security. Secessionist movements inside the Soviet Union are also a factor which prohibited Gorbachev to even talk about a possible return of two of the four islands.

Seoul is another gate to Asia's vibrant economies. In the months before his Krasnoyarsk speech of September 1988 where he mentioned "the possibilities for a normalisation of economic ties with South Korea", in a variety of informal contacts, the Soviet Union had already signalled an interest in broadening ties with South Korea. Since the opening of the first contacts between the two countries during the Seoul Olympics in 1988, it took only a little longer than two years to establish diplomatic relations. The rapid development in Moscow-Seoul relations has deteriorated Pyongyang-Moscow relations to the point that it has made the annual naval exercise the two countries have held since 1986 to match the annual US-South Korean "Team Spirit" manoeuvres, unlikely to be held in 1991 and after. To be sure, the Soviets have continued to deliver their military aid commitment, but its future is uncertain, given the even-handed approach which Moscow has adopted on the Korean question. This "new thinking" of Gorbachev has in effect obviated Pyongyang's 1961 treaties of mutual defence with Beijing and Moscow.

One of the professed Soviet reasons for the normalisation of Moscow-Seoul relations is, that it would want to work with South Korea for reunification of the peninsula. But obviously, the main Soviet motive is economic. South Korea has already provided Moscow a US\$3 billion credit line; it is helping the Soviets convert arms factories to civilian production; its companies are investing in the Soviet Union protected by an

investment protection agreement which gives the South Koreans better treatment than other foreign firms; and bilateral trade is growing.

Finally, the Soviet Union has also mended relations with ASEAN member countries. Late in 1989 it removed its squadron of MIG-23s from Cam Ranh Bay and halved its force of 16 TU-16 bombers. Most recently, it asked ASEAN to join the annual post-ASEAN Foreign Minister's Meeting as a dialog partner.

### The South China Sea

Southeast Asia has been the centre of the longest and fiercest ideological struggles in the world after World War II: nationalism vs colonialism/imperialism, socialism/communism vs liberalism/capitalism, and religious strifes. The region has witnessed not only communist revolutions, wars for independence, and international wars, but also subversions, insurgencies, civil wars, coups, and other kinds of civil violence. In spite of all that, especially after the Association of Southeast Asian Nations was established, the region has been one of the most dynamic growth centres in the world. Four major world powers' interests intersect this region: the United States, the Soviet Union, China, and Japan.

Two major issues stand out, i.e., (1) the Cambodian conflict; and (2) the overlapping territorial claims in the South China Sea impacting not only the region's stability but also the security of the international sea lanes passing through the vitally strategic South China Sea.

Whereas the Cambodian conflict is the region's most pressing source of instability, the question of the South China Sea is the more crucial problem, a potential flashpoint, due to the many conflicting and overlapping



territorial claims in the area, where one of the claimants is a great power, the PRC which has proved willing to use force in defence of its claims. It is one of the most strategic waterways in the world. It is important for military, commercial as well as tankers routes, and has enormous potentials both in living and non-living resources, including oil and gas. Some are already being exploited by Malaysia, Indonesia and Brunei, while some others are being explored as in the case of the Philippines, Vietnam and Thailand.

The control over the strategically located Spratly islands, some of which are already occupied by China, Taiwan, Vietnam, Malaysia, and the Philippines, would give the controlling State(s) strategic power over the whole South China Sea, since they straddle the international sea and air routes through that area, whereas their ownership will entail substantial extensions of national jurisdiction over the resources of the exclusive economic zones and of the continental shelf.

There is no easy solution to the problem, given the strategic and economic importance of the area. The potentials for conflict are aplenty, but there is also the possibility for cooperation. Efforts to find ways and means for cooperation should be focused upon, while any action that could escalate the present disputes into a wide-ranging military conflict should be avoided. The exploitation of the enormous resources of the area definitely calls for cooperation, rather than confrontation.

The Law of the Sea Convention (LOSC 1982) which has been signed by all the littoral states of the South China Sea, provides the possibility even the desirability, for states bordering sea areas such as the South China Sea to cooperate with each other. There are examples of *Joint Coöperation Zone Treaties* which "freeze" territorial claims, e.g., the Antarctic Treaty of

1959, the 1974 Agreement between the Republic of Korea and Japan, the 1979 Agreement between Thailand and Malaysia in the Gulf of Siam, and most recently between Indonesia and Australia over the Timor Gap in 1990. In all these agreements the parties concerned defer settlement of the territorial dispute in a disputed area by consenting to a cooperative jurisdictional regime to jointly develop the resources in the area.

Evidently, the momentum of global peace has also reached the South China Sea. Sufficient political will has developed to avoid a military conflict over the disputed area. Beijing has proposed joint development of the contested Spratly islands. As reported by the weekly *Far Eastern Economic Review* of 30 August 1990, the offer was formally made by China's Premier Li Peng during a press conference in Singapore last year, on 13 August. This is an opportunity to be explored further by ASEAN as the first concrete step towards the realisation of its long-term goal: ZOPFAN (Zone of Peace, Freedom and Neutrality).

## The Future of ASEAN

ASEAN increasing influence is proven by the fact, that the APEC (Asia-Pacific Cooperation Conference) initiative has been made possible only after ASEAN has agreed to join. This would open the way for a greater ASEAN role in the region, and the opportunity for a wider membership of the association, including the Indochinese countries, particularly as the Cambodian problem is nearing its resolution. Although ASEAN is not in any formal sense a regional defence or security organisation, developments in the security field have been such, that it is safe to say, that ASEAN has become a "security community", in the sense, that any military action contemplated or executed between

and among its members has become inconceivable. It is ASEAN's desire to broaden the area of common concern to include all Southeast Asian countries. It is only when the Southeast Asian nations themselves have become aware of its responsibility towards preserving stability and peace of the region, that the long cherished goal of establishing ZOPFAN can ultimately be realised. As a first step towards this objective, other South-east Asian non-ASEAN countries, could be induced to accede to the "Treaty of Amity and Cooperation" of the Bali Summit of 1976.

But the fast pace of post-Cold War developments, have also thrown ASEAN into confusion, like the rest of the Asia-Pacific. ASEAN is at a cross-roads, one leading towards a more closely-knit and effective organisation, while the other goes in the other direction, i.e., a looser framework for ASEAN as advocated by some circles in Singapore and Thailand. Both countries seem to be focusing on the forging of a network of mutual interests with their respective neighbours, i.e., Singapore with Indonesia and Malaysia through the concept of a series of "growth triangles", Thailand with the Indochinese countries and Burma through the concept of "transforming battle zones into marketplaces."

Major changes in generational leadership will occur in the 1990s. China, North Korea, Singapore, Vietnam and Indonesia are all gearing up to face and prepare the smoothest

possible transfer of national leadership. The process and the outcome of these changes will undoubtedly impact stability and security of the region.

## Conclusion

The 1990s will be a decade of transition in the Asia-Pacific region with all its ramifications and implications. Political volatility and turbulence will characterise some countries: the Soviet Union, China, North Korea, Cambodia, the Philippines, and perhaps some other countries as well.

The interaction between the US and the Soviet Union and their respective policies towards the region will have a great influence on the stability and security of the region. Intensified economic competition, between the Pacific Rim and the US will complicate the already uncertain situation. Particularly worrisome is the possible breakdown of US-Japan relationship, the linchpin of US Asia-Pacific policy and strategy. The Korean peninsula and the South China Sea are the two potential flashpoints. Changes in generational leadership will exacerbate political uncertainties.

With all these uncertainties, the decade will present both opportunities and challenges to the Pacific Rim countries. It will take vision, wisdom, cooperation and decisiveness on the leaders of these countries, to be able to rise to the occasion and make the promise of the Asia-Pacific Century a reality.



# Pacific Growth and Energy Security in the 1990s: Indonesia's View

*Suyitno PATMOSUKISMO*

## Introduction

**T**his paper presents a summary of Indonesia's views and experience on the energy situation with specific emphasis on the oil business and its implications on the region's economy.

## Impact of the Persian Gulf Crisis

Before the Persian Gulf Crisis took place, several studies and experts predicted that world economic growth in the Nineties would concentrate in developing countries, especially in the Pacific, thus increasing their energy requirements.

As the energy demand of the Pacific region is already quite high (about one fifth of the free world energy consumption), the recent Gulf Crisis, compounded with the unpleasant experience on the effects of the 1973 and 1979 Middle East Crisis, can only augment the difficulty of the situation. This means increasing the dependence on outside

energy supplies since the region is currently a net energy importer.

To face the challenging concern about the security of energy supply, many Pacific countries have been increasing their efforts to fulfill their energy needs domestically. These efforts include exploring and developing all possible energy resources and diversifying into other non-petroleum resources.

Another effect of the Gulf Crisis could be expected in the oil market strategy and price stability. To fully understand these effects, an assessment of the world economy, its growth and development is required since it is directly related to oil price and market strategy.

## World Economy Growth

Starting in 1988 a slowing trend was recognised in the world's economic growth. In 1990, the growth rate was only 2,6 per cent as compared to 2,9 per cent in 1989, and is expected to decrease to 2,5 per cent in 1991. This is believed to be the result of the high rate of inflation caused by the increasing oil prices. A slow down in economy and even

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a tendency of an economic recession was noticed in the United States of America during the last few years. Although for the first quarter of 1991 the US economy showed a good performance, the growth rate for 1990 and 1991 is estimated to be only about one per cent.

Similarly, European economic growth suffered from a period deceleration. Recently, however, some signs of improvement have been recognised except for the United Kingdom which appears to be heading for an economic recession. Even among the industrialised countries, such as the Federal Republic of Germany, the economic growth rate is low compared to that achieved by Japan.

Within the Pacific region, Japan recorded an economic growth rate of 5 per cent in 1989, but the rate dropped to 4.6 per cent in 1990 and is expected to be only 3.8 per cent in 1991. This represents the highest growth among the industrialised countries, due to the strong domestic market and the excellent performance of Japan's export commodities. Japan, however, depends mainly on imported energy. Prior to 1990, Middle East crude oil imported by Japan was about 67 per cent. This increased to over 71 per cent in 1990 and the first quarter of 1991.

The Newly Industrialised Countries (NICs) recorded impressive economic growth rates during the last decade. But the last oil price increases have affected the development rate within the NIC's and thus reducing the economic growth rate from 8.6 per cent in 1989 to 6.4 per cent in 1990 to an estimated of 6.0 per cent in 1991.

Among the NICs, Korea represents a good example of the effect of persistent implementation of energy policies on economic growth. Since the institution of the first Five Years Economic Development Plan in 1962, the

Korean Industrialised process has achieved an annual GNP growth rate of 8.1 per cent while the annual energy consumption increased at an average of 7.9 per cent. Korea, as a non producer of oil and gas and with very limited energy resources, imports about 85 per cent of its energy needs. The Korean government, concerned about the energy security, implemented several policies to reduce dependency on oil imports. These included emphasising overseas exploration and development activities of energy resources and enforcing the diversification into non-petroleum resources, such as LNG (Liquefied Natural Gas), nuclear and coal. These efforts has reduced the Korean dependence on oil to about 50 per cent.

The security of energy supply, however, will continue to be of major concern to the Korean government as the country's energy demands continue to increase. The total demand is expected to increase from its current level of 81 million Tonnes of Oil Equivalent/TOE (450 million Barrels of Oil Equivalent/BOE) to about 142 million TOE (1014 million BOE) by the year 2001.

Although this growth in energy demand represents a rate of annual increase of only 4 per cent as compared to the 8 per cent level experienced in the past, it remains a major factor in the Korean energy policy. The economic growth in the developing countries has clearly been affected by the decline in world trades and productivity of agricultural commodities as well as the high inflation and interest rates caused by the increasing oil price. The economic growth is estimated to be only about 3.7 per cent in 1992 in the developing world, even if oil prices stay below \$25/barrel. The degree by which a country will suffer the effect of the Gulf Crisis is certainly not uniform. One country may suffer more than others based on its dependence on oil imports.



## Indonesian Economy and Energy Situation

As an example of oil exporter within the Pacific region developing countries, Indonesia has to deal with developments of energy resources, domestic and regional energy supply and funding of energy projects. In general, the economy is becoming more balanced as the country progresses. Agriculture is still the largest sector of the economy, although it has been constantly decreasing over the last two decades. In 1989 it contributed about 23.4 per cent to the GDP. The manufacturing sector experienced rapid growth, but the role of mining, quarrying and trade is decreasing. The average economic growth rate during the Fourth Five Year Development Plan ending in 1989 was 5.5 per cent and is expected to increase in the future.

Indonesian oil and gas industry has contributed significantly to the government revenues, especially as a source of foreign exchange earnings. In addition, oil and gas provided the main domestic source of energy and feedstock for various industries. To reduce the dependence on oil and gas income, the government is accelerating efforts to increase earnings from non-oil and gas commodities. However the petroleum industry will continue to play an important role in the overall economy of the country for many years to come. The Indonesian government recognises this fact and believes that a strategic energy plan is of vital importance. Such plan provides the basic guidelines for the implementation of various energy policies as well as the flexibilities for sustaining the effects of world energy crisis. Changes in the energy demands, reserves position and supply potentials and the unstability of market conditions and energy prices will certainly affect the outcome of the implementation of energy planning and policies. That is why flexibilities are desired to allow the development of other potentials, commercial and alternative energy

resources.

In the energy arena, Indonesia is endowed with a variety of resources: crude oil, natural gas, hydropower, coal, geothermal and many kinds of non commercial resources such as firewood, solar, wind, peat, and others. These energy resources are spread widely throughout the Indonesian archipelago, both on-shore and off-shore. It is estimated that the oil and gas deposits in the Indonesian sedimentary basins contain more than 84 billion BOE of recoverable hydrocarbons. These include 48 billion barrels of oil and 217 Terra Standard Cubic Feet (TSCF) of natural gas (36 billion BOE).

As of January 1991, Indonesian total proven and probable reserves were about 11 billion barrels of crude oil and nearly 102 TSCF of natural gas. Although there is a significant undiscovered potential of liquid hydrocarbons, the Indonesian proven oil reserve position is very small compared to those of the Middle East and represents only about 0.5 per cent of the world proven oil reserves. Unless significant discoveries could be made, the increasing domestic demand, over the next decade, can make Indonesia a net importer of oil. The government is spending every efforts of increase the petroleum reserves through additional exploration, Enhanced Oil Recovery methods, and diversification in the utilisation of other energy resources.

The potential hydrocarbon resources are distributed in sixty Tertiary Sedimentary Basins of East Sumatra, North Java, East Kalimantan and other islands in the eastern part of Indonesia. Exploration drilling was done in only 36 basins and resulted in commercial discoveries in 21 basins. Of these discoveries only 14 basins have actual production operations. Most of these production operations, and consequently the oil and gas reserves, are located in the western part of Indonesia. It is, therefore, believed that considerable hydro-



carbon discoveries can still be made in the eastern part of the country. The government realised that the exploration and development of these areas would require different fiscal terms and contractual arrangement to justify a reasonable rate of return. Significant improvements have therefore, been made in the form of "incentive packages" and deregulation measures.

Aside from the prolific oil deposits, Indonesia has significant gas reserves as well. The gross annual gas production was about 2 TSCF in 1990 and is expected to reach over 3 TSCF by year 2000. However, the reserves to production ratio would still be high enough to encourage the development of other gas utilisation projects. Indonesia is currently studying the economics of developing the gas reserves in East Kalimantan and the Natuna Sea areas. The Natuna gas could supply the existing Arun LNG plant, have other domestic uses and be used for export as well. It could also be used to supply a grassroots LNG plant on Natuna island. All these plans are subject to finding a reasonable process to remove the high percentage of CO<sub>2</sub> present in the gas at acceptable cost and in an environmentally safe manner.

In addition to the oil and gas resources, Indonesia has an estimated 32.0 billion tonnes of coal (4.3 billion tonnes in measured reserves, 13.3 billion tonnes in inferred and indicated reserves, and 14.4 billion tonnes in hypothetical reserves). These coal reserves are mostly located in Sumatera and Kalimantan. Some of produced coal is used for domestic power stations, and the rest is exported to several countries (mainly Japan, Malaysia and Taiwan). Current annual production is about 11 million tonnes, which will increase to about 44 million tonnes by year 2000. At this rate the available reserves should supply the market for almost 100 years after year 2000.

The utilisation of coal domestically is

expected to increase considerably, as the clean coal technology becomes well developed and could be implemented in the near future. This will enhance the opportunity to export more oil to supply the need of the region. Hydropower, has also been used to supply part of the domestic energy need, although its potential has not been fully exploited yet. Installed capacity of operational hydropower plants is currently about 3,000 MW. This represents only 3.6 per cent of the estimated resources, of more than 75,000 MW. The main constraints in developing hydropower plants are the high front-end investment and the remote locations of the resource.

Another energy resource whose potential has not been fully exploited is geothermal. There are 217 geothermal locations spread throughout the country, with a potential to generate more than 16,000 MW of electricity. Of these, approximately 8,100 MW are located in Java and Bali which are the major population and economic centres.

So far, there is only 142 MW of installed geothermal capacity, but other developments are planned. Plans include a 165 MW power plant at Gunung Salak in West Java, a 55 MW plant at Darajat in West Java, a 55 MW at Dieng in Central Java, and a 15 MW at Lahendong in North Sulawesi. The possibility of developing Sarulla prospect in North Sumatera, is currently under study.

Indonesia began using geothermal energy to generate electricity in 1982. At that time, it represented only 0.03 per cent of the total energy demand. By 1988 geothermal represented 0.76 per cent of total energy consumption (the equivalent of 2 million barrels of oil per year). By the end of 1993 the geothermal share is expected to increase to 1.3 per cent (equivalent to about 5 million barrels of oil per year).

Another source of commercial energy available in Indonesia is radioactive minerals.



Based on the results of exploration activities, radioactive mineral resources are estimated to be 10,000 tonnes, mostly located in Kalimantan. A nuclear power plant is planned to be built in Java sometime after the year 2000 with a capacity of 600 MW or higher. At present, a 30 MW nuclear power plant is located in Serpong, near Jakarta and is operated for training and research purposes.

## Indonesia's Energy Development Policy

Energy development policy is designed and aimed to develop all energy resources wisely, as well as provide benefits to the region as a whole. The *first* priority, of course, is to fulfill domestic energy demand while protecting the environment. *Second*, the resources will be used, whenever possible, to maximise government revenue, including foreign exchange earnings.

The domestic energy consumption has grown rapidly, in line with the increasing intensity of the National Development Programme. The energy demand structure in the past had been heavily dependent on oil, as reflected in the role of oil in the energy mix, which was almost 90 per cent of the total commercial energy consumed in 1970. To reduce the dependence on oil in the energy mix, a National Energy Policy was formulated, with the objectives: to assure a gradual shift from a mono energy to a poly energy economy; to assure the availability of energy for domestic market at reasonable price; to ensure a continuous and positive contribution to the balance of payment and public revenues; to improve national resilience and national endurance; and to protect the environment. It is important to note that in instituting the National Development Programme, the government maintains concern in minimising the impact on environment while trying to improve the living standards of the people

through economic progress and electrification.

The principal guidelines for implementation of the energy policy are: (a) intensification of exploration for various energy resources; (b) conservation of energy by using energy efficiently and wisely through public campaigns and educational programs; (c) diversification of energy resources with the aim of reducing the share of oil in the overall energy consumption, by developing and using non-oil resources.

In implementing the energy policy the government is facing problems in trying to suppress the increasing demand of liquid fuels. One of the many reasons is the exploding demand for electricity, due to the sharp increase in industrial growth.

The electricity demand is expected to continue to rise during the Fifth Development Plan (ending March 1994) and thereafter. The total national electric energy consumption supplied by the State Electricity Enterprise (PLN) plus private, is expected to reach 66.1 TWH (Terra Watt-Hour) in 1994, rising from 45.8 TWH in 1989, growing at an average of 7.3 per cent per annum. The share of electricity demand in the public sector (PLN) is forecasted to grow to 38.8 TWH in 1994 from about 20 TWH in 1989, growing at an average rate of 14.6 per cent per annum.

PLN has been successful in reducing the use of oil in power generation. Up to the end of 1984, most of the electricity consumption was supplied by oil-fired power plants. Thereafter, in accordance with the National Energy Policy Objectives, other non-oil power plants such as hydro, natural gas, geothermal and coal have been extensively developed, resulting in a substantial shift towards a less oil-dominant mix. The share of oil has decreased from 85 per cent in 1984 to about 57 per cent in 1989 (in terms of total installed capacity). In terms of production, the role of



oil has been reduced from about 80 per cent in 1984 to about 46 per cent in 1989, and is expected to decrease further to only 24 per cent by 1994:

## Future Energy Demand

It is envisioned that the rate of growth of electric energy demand would remain on the high side as the development and electrification efforts in Indonesia continue to expand. A review made in 1990 indicated that the electricity demand projections of the Fifth Development Plan were quite conservative. Actual consumption was much higher than projections due to the unexpectedly vigorous industrial growth. A revised forecast for the electricity demand of the public sector, was done based on projection of GDP growth rate of 7.5 per cent from 1990 to 1994 and 6.4 per cent from 1995 onward. The forecast shows that the demand will increase from 45.9 TWH in 1989 to 101.7 TWH in 1999. This will require expanding the generating capacity from 8,500 MW in 1989 to 21,600 MW in 1999.

To meet the increasing demand of electricity, private companies are invited to participate in the power generation and supply. Efforts will also be made to enhance the development of coal, hydropower and geothermal resources. However, since the development of such power plants require along lead-time, the country will be forced to use more liquid-fuels such as Fuel Oil and Industrial Diesel Oil and natural gas for power generation. This, of course, will add an extra burden to the existing domestic refineries.

The liquid fuels demand for 1990/1991 was forecasted at 29.3 million kilolitres. This level has been surpassed and the demand projection for 1991/1992 is expected to be about 39 million kilolitres. There are current-

ly eight oil refineries located in North, Central and South Sumatera, Central and East Java, and East Kalimantan. These refineries have a total capacity of 836 thousand barrels per stream day. To supply the increasing fuel oil demand of the region, "Export Oriented Refineries" (EXOR) will be built in West Java and other sites in East Indonesia. They will use domestic and imported crude for refinery feed. Although the products are dedicated for export, a certain amount will be consumed domestically as required. It is expected that, four EXORs with total capacity of more than 500 thousand Barrels Stream Day (MBSD) would be operational by year 1995. In addition to these oil refineries, a gas conversion project is currently being evaluated with the potential of producing more liquid fuels. Recognising that large investment are required for the proposed refinery expansions and other big projects, the Indonesian government instituted a project financing and a non-resource financing arrangements which allow private sectors to participate in the development.

## Indonesia As an Energy Exporter

Oil and gas have contributed significantly to government revenues, and will continue to do so. In 1989/1990, the petroleum sector accounted for almost 50 per cent of government income and, in the current development plan, oil and gas revenues are still indispensable. The government is accelerating efforts to increase earnings from non-oil and gas commodities in order to reduce the dependence on petroleum income. However, the petroleum industry will continue to play an important role in the overall economy for many years to come.

In addition to revenues from exporting crude oil and condensate, refined products, LNG and LPG (Liquefied Petroleum Gas) are also exported. Two LNG plants in Arun, Northern Sumatera, and in Bontang, East



Kalimantan, currently produce more than 23 million tons of LNG per year from 11 trains. All of these products are exported to Japan, Korea and Taiwan. An additional train in Bontang called the "Train F", is scheduled to be operational in 1994 with a capacity of 2 million tons of LNG per year for export to Japan.

Currently, about 3.0 million tons of LPG per year are produced from LPG recovery plants and oil refineries to supply domestic as well as export markets. This capacity will increase after the completion of the export oriented refineries mentioned earlier as well as two additional LPG Plants (Musi, South Sumatera and Pangkalan Brandan, North Sumatera), with a capacity of 0.3 million tons per year. In 1990, approximately 2.5 million tons LPG was exported to Japan, Korea, Singapore and several other countries.

Natural gas has been and continues to be utilised as a feedstock for several fertiliser and petrochemical plants. The Indonesian government emphasises the development of petrochemicals because of benefits associated with downstream industries. While the objective is to keep up with the constantly growing energy demand, part of the energy policy is to try to decrease the country's dependence on oil. The government has been somewhat successful mainly due to the continuous efforts to develop other sources of energy. The implementation of this policy has reduced the share of oil and boosted the utilisation of non-oil energy alternatives, (especially coal and natural gas) in the total energy consumption. For example, the shares of coal, hydropower and natural gas have increased significantly and are expected to reach 8.8, 6.7 and 25.2 per cent respectively by 1994.

Contribution from the geothermal energy resources also reduced the dependence on oil for domestic demand. These efforts reduced the role of oil in the energy mix to less than

63 per cent in 1989 and is expected to drop to about 58 per cent by 1994. This is significant considering that the country's estimated total energy demand of more than 376 million BOE at that time. Using less and less oil domestically will enable the country to remain an energy exporter until well into the next century. It is obvious that the policy of diversification, coupled with domestic conservation has been successful and with no doubt will continue to be implemented. At the same time, intensified efforts have been made to discover more oil and gas throughout the country. There are great expectations for sizeable discoveries particularly in the eastern part of Indonesia.

## Conclusions

Considering the facts related to the energy demand economic growth projections, investment requirements, refinery expansion, power generation, role of private sector, regional environmental objectives and the security of energy supply, the following conclusions can be drawn:

*First*, to maintain a significant economic growth within the Pacific Rim Countries, an uninterrupted supply of energy should be secured in compliance with the development plans in the region. Several countries within the region are endowed with various potential energy resources, such as oil, natural gas, coal, hydropower and geothermal. These countries should develop these resources and utilised them effectively to meet their domestic energy needs as well as to supply a portion of the demand of other countries in the region which lack energy resources.

*Second*, an enhanced cooperative effort should be taken by all countries within the region to secure the energy supply, through: (a) participation in the upstream and downstream endeavour of the energy industry; (b)

persistent implementation of conservation and diversification efforts.

*Third*, at least for a short and medium term, the Pacific region will continue its dependence on outside energy supply, mainly from the Middle East. Efforts to eliminate this dependence face the following constraints: (a) limited energy resources available; (b) technological developments required for safe utilisation of the resources; (c) difficulty to obtain the capital investment

needed; (d) long lead-time required to initiate development.

*Fourth*, implementation of strategic energy policies, intensification of exploration effort for various energy resources, conservation of energy utilisation, and diversification of energy sources within the region, should be encouraged. This will help reduce the dependence on outside supply and enhance the security of the energy supply required to fuel the development of the Pacific countries in the future.



# Technology and Ethical Consideration of Nuclear Power

L. WILARDJO

## Technology

THESE are different ways of defining technology. Dr. H. Johannes, a professor of physics at Gadjah Mada University, sees technology as "science applied to exploring, exploiting, processing, and distributing natural wealth to meet man's needs and for his "welfare". Using a metaphor likening it to a tree, he says that "Technology is rooted in basic science; it grows — i.e., develops a trunk, branches, and leaves — in the industry, and blooms and bears fruits in the economy" (Johannes, 1983: 6).

This definition is very much in keeping with Rostow's scenario of the stages of growth, the third of which, among others requires access to, and the exploitation of, the available science and technology. Since modern science and technology has largely been shaped by Western male minds (Leger, 1988: 2-3) it is Western and male oriented. The scenario is based on the assumption that industrialisation is a *conditio sine qua non* for development, and development here is seen more in terms of economic growth rather than as a participatory process towards achieving

the peoples' desiderata.

Much to the objection of our sobriety, the above view of technology and its role in the development is unfortunately the prevailing one in many developing countries, and Indonesia is no exception. At present Indonesia is approaching the end of its fifth five-year development plan, and is supposed to be ready to enter the take-off period, which is to start at the beginning of our second 25-year development plan. Some signs of the Rostowian scenario can be seen. The exploitation of technology and openness to new values manifest themselves in the sprawling industrial zones displacing the poor from their homes and work places; in the conglomerisation of big economic powers that threatens to drive the informal sectors out of business; in the strife for material abundance on the part of the consumeristic, affluent minority, in the globalisation of the economy and of information; in the tendency to opt for the supply-side energy consumption growth in disfavour of the end-use, soft-path, conservation measures, etc.

At the time of writing the draft of this paper a census is being carried out. We do not

know yet what kind of demographic and economic patterns it is going to reveal. But it is reasonable to guess that perhaps the per capita income is no more than \$600.00, and the population is about 180 millions, growing at the rate of about 2.25 per cent. However, both the population and the income are very unevenly distributed. The rich minorities take most of the income, creating a big, poor majority, with 30 per cent of the population subsisting below the poverty line. Population-wise, Java, with an area of only 6.9 per cent of Indonesia, has to accommodate 60 per cent of the total population, or no less than 100 million people! From these figures alone we can see already that in Indonesia we face very serious problem.

The pressure of the big and still growing population, the dwindling natural resources, and the degradation of the environment make it impossible for Indonesians to indulge in the romantic dream of the antitechnologists, who idealise primitive society or culture with bare feet and bare hands. With the carrying capacity of nature stretched to its limits as it is now, Indonesia cannot afford to do away with technology.

But, what kind of technology does the country need? It is the very technology that is rooted in basic science, as Johannes puts it. It is also the one that can be looked upon as applied science, but it should be carefully and judiciously applied to helping man solve the problems that he encounters in the interaction with his environment. With "the environment" is meant the animate and inanimate world around us and of which we are an inseparable part, thus including the fellow-members of the society in which we live.

The word "helping" implies rejection of reliance on a technological fix; rather, technology must be utilised together with other means of problem solving. Reality is very complex and essentially mysterious (Brown,

1980: 40), and man is too myopic to be able to see into a distant future, and the capacity of his mind is too limited to imagine possible consequences of the decisions which he makes now. This makes our problems too big to be left to the technologists alone.

The complexity of the problems that man faces, and the myopia of his imagination as to the consequences of current decisions, make the solution of problems, with the aid of technology, dialectical in nature. The technology that we use to help solve a problem now will inevitably create another problem, the solution of which will require a more sophisticated technology, and so forth, *ad infinitum*. Unless we are willing to heed the advice of anti-technologists like Jacques Ellul, Lewis Mumford, Theodore Roszak, etc., and rid our society of all kinds of technology, we just have to live with this dialectical nature of technology-aided problems solving.

Development can be looked upon as the liberation of a society from those constraints that prevent it from realising its potential. The constraints can be both internal — such as superstition, ignorance — and external — such as an unjust international economic order, or oppression by ruling compradors, etc. To relieve a society from the suffocating squeeze of this constraints, so that it can fulfill its implicit potential and realise the values it cherishes, technology can be used. Without it, life in a heavily-populated island like Java would hardly be possible. Even if it were still possible elsewhere, man's potentialities will be tightly constrained by the heavy demands of brute survival, which could be really dehumanising.

## Ethics

We can say that ethics is the study that concerns itself with judgments of approval or disapproval, judgments about right and wrong, good and bad, virtue and vice. The desirability



or wisdom of actions, dispositions, ends, objects, or states of affairs (Runes, 1960: 90).

Here we will see ethics not as analysis or explanation of our ethical judgments, but as a judgment of obligation. Karen Lebacqz says that traditional normative ethics considers at least three questions, namely (1) which actions are right, (2) what makes a person virtuous, and (3) what constitutes the "ideal state" or structure of human society (Lebacqz, 1980: 274). If we confine ourselves to the first question, then we can say that being ethical is doing the right thing. Here "right" can be taken either axiologically to mean "conducive to the welfare of some individual, or group, or society as a whole," or deontologically to be not entirely dependent on the theory of values, i.e., that the action may be right although it does not, by being performed, bring into being as much good as some other actions.

Being ethical is listening to and acting in accordance with "*ein Ruf aus mir, und doch über mich*". We cannot avoid making ethical judgments. And all of us must make judgments that are grounded in our conviction about those values which we cherish, subject to the reality of evil around us, and based on our imperfect understanding of the roles that we should play in a unique situation.

## Technology and Ethics

We have argued that potentially menacing though it could be, we cannot do away with technology; that is, technology is here to stay. And even though any technology put to work in solving a problem will inevitably bring about a new problem, we just have to live with this dialectic.

Before using a technology to solve a problem, surely it must be assessed. Responsible, prudent, multidisciplinary studies employing the latest techniques of modeling and system

analysis should be used in the assessment. But even the wisest of men have the propensity of making deplorable miscalculations, and people are inclined to make choices contrary to what appears to be their best interest. To these is compounded the problem of interpreting scientific reports and technological assessments. Therefore, as we have mentioned before, the options offered by technology must be considered by taking into accounts those nontechnological factors that we deem relevant to the problem at hand. Among, others if not foremost, in these other considerations is the ethical judgment.

## Nuclear Power

An all-out nuclear war, once considered to be a moral impossibility, has now come to be accepted by some people as a logical possibility. Those few countries which have a stockpile of nuclear weapons in their arsenal contend that their nuclear armament is for deterrent purposes only, i.e., that it is maintained to discourage the enemy from launching a nuclear first strike and thus avoid nuclear war.

Proponents of nuclear power stations often boast that nuclear power is clean, safe, and cheap. Besides, they argue, it would be wrong not to utilise the nuclear fuel such uranium for the only thing it is good for, which is to generate electrical power.

In Java, where the government is moving seriously towards building Indonesia's first commercial nuclear power plant in the north-eastern part of Central Java, there is a saying that *jer basuki mawa beya* ("to every benefit gained there is always cost to be paid"). Unfortunately, this old saying is often used to justify centrally-decided development projects regardless of how the people, especially those having to suffer from social displacement or from the undesirable effects of pollution on account of the "development", think about the projects. *Jer basuki mawa beya* is taken by the

powers-that-be to be generally valid without examining first who reaps the benefit, and who bears the cost!

While the old saying is true with respect to the introduction of any technology, especially for expensively-bought high technology it would only be fair ethically if those who reap the greatest benefit be made to bear the highest cost. Also, they ought to bear the biggest risk should the technology go unexpectedly awry. It should also be our ethical imperative to let those who, willingly or otherwise, have to bear the cost and take the risks to participate in the decision-making.

If we accept this principle, then we can say that nuclear power is ethically unacceptable. There are at least two equity issues that are associated with the management of radioactive waste. *First*, there is the NIMBY syndrome. Where and how do we choose temporary and permanent storage site for radioactive waste? It hardly seems fair to impose a risk on an individual just because she or he happens to live in a remote place where a radioactive waste facility is most likely to be built.

Even if there are communities that do consent to having a radioactive waste facility located in their backyard, they must be so

Table 1

RADIOACTIVE WASTE CATEGORIES

Waste Categories	
<i>Low-level waste</i>	
Contain various radionuclides with short half-lives and trace quantities of radionuclides with long half-lives.	
<i>Intermediate-level wastes</i>	
Contain larger quantities of fission products and actinides with long half-lives. Low heat content, high bulk.	
<i>High-level wastes</i>	
Contain most of the fission products and actinides from the fuel cycle. High heat content, low bulk.	

Table 2

RELATIVE QUANTITIES OF THE CATEGORIES OF RADIOACTIVE WASTES

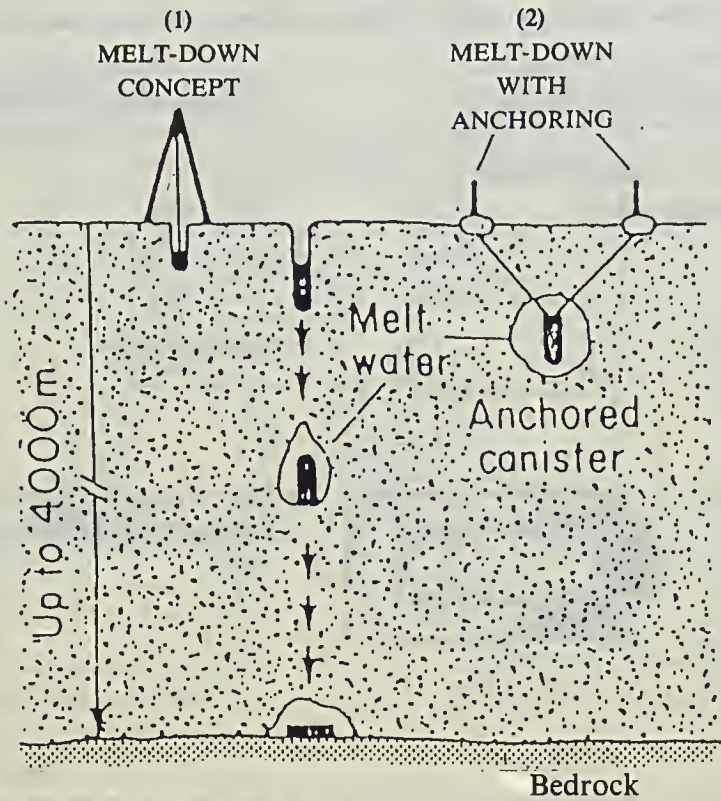
WASTE TYPE	UK Arisings of Solid Wastes	
	ARISINGS (M TONNES)	
Radioactive waste		
-low level	1.0	total to
-intermediate	0.16	year 2000
-high level	0.004	
Short-lived waste	Long-lived waste	
The radioactivity has decayed to innocuous levels in less than 300 - 500 years	The radioactivity remains important for hundreds of thousands of years.	

Source: 5th. Report of the Radioactive Waste Management Advisory Committee and Royal Commission on Environmental Pollution.



Figure 1

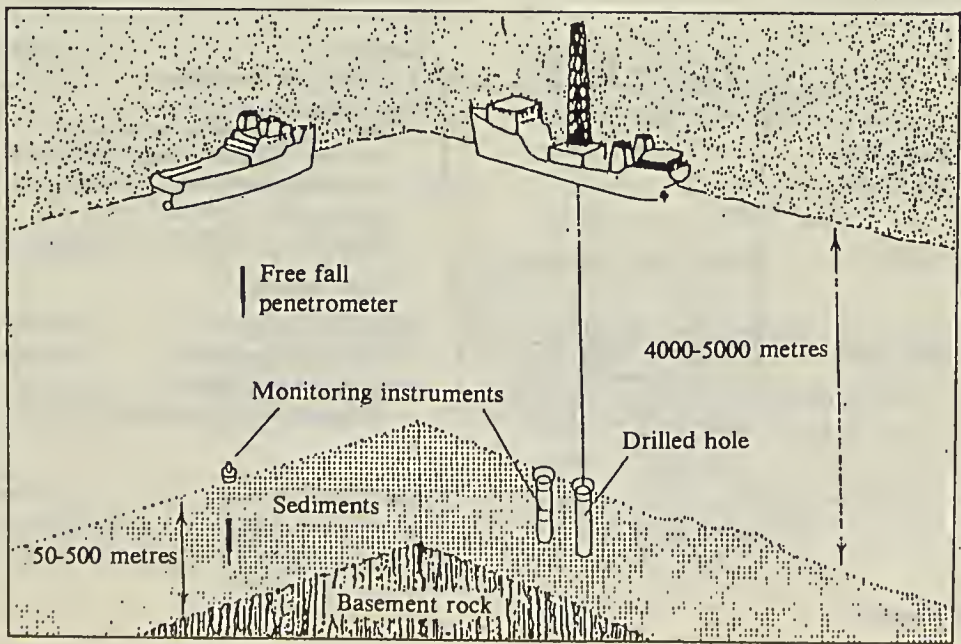
Old, and now largely discredited, concepts for disposal of high level waste below an icecap such as Antarctica or Greenland. (1) Melting concept whereby the wastes own heat eventually brings containers to the base of the ice by melting and (2) a similar concept which prevents the containers from sinking to the bedrock.



Source: IAEA, Vienna

Figure 2

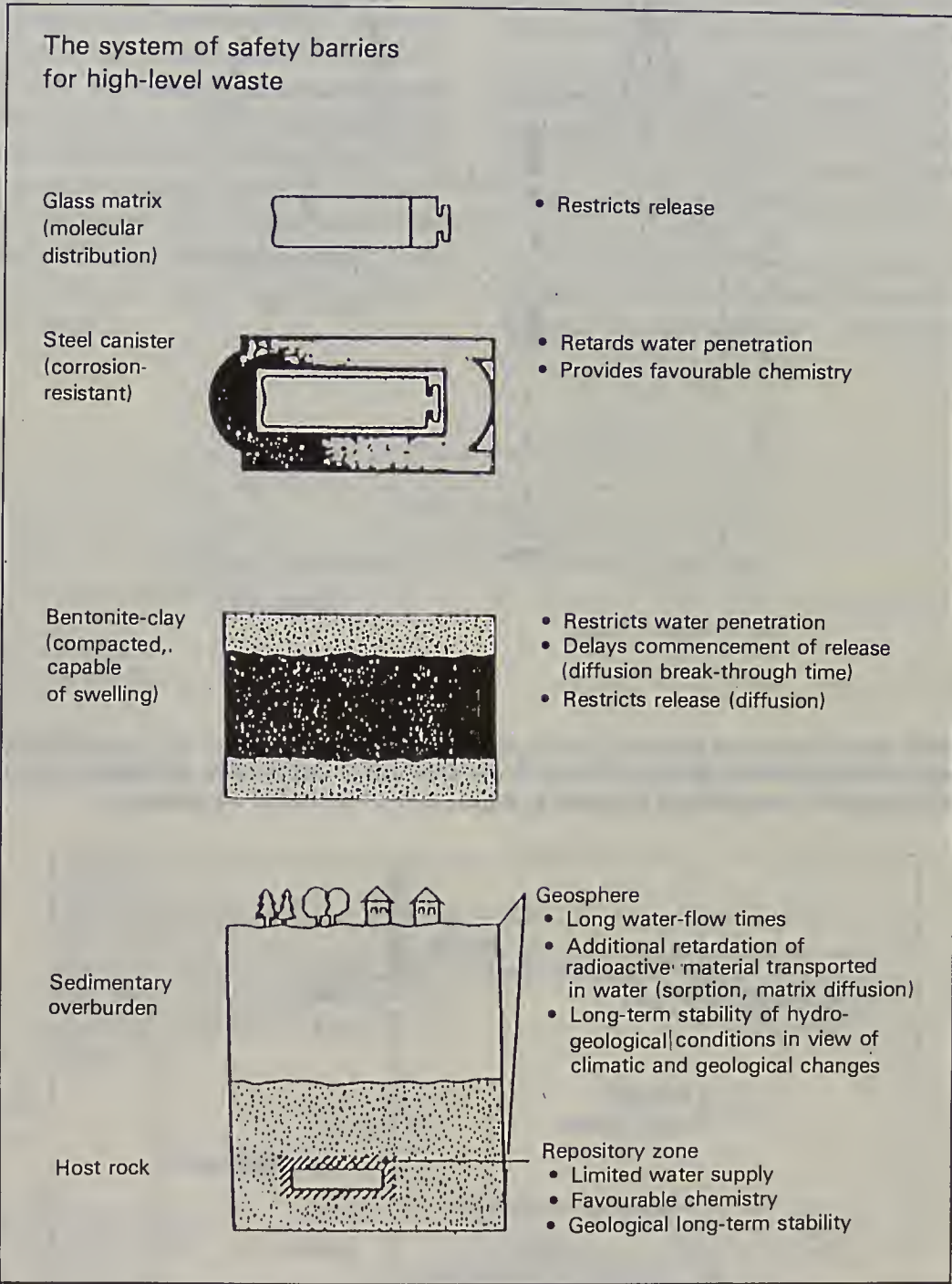
Sub-seabed disposal options for high-level waste in the deep ocean basins. Containers of waste free-fall from a ship in a streamlined outer penetrator package and come to rest some tens of metres below the seabed in the stable soft sediments. Alternatively waste packages are placed in purpose drilled boreholes in the sediments.



Source: IAEA, Vienna

Figure 3

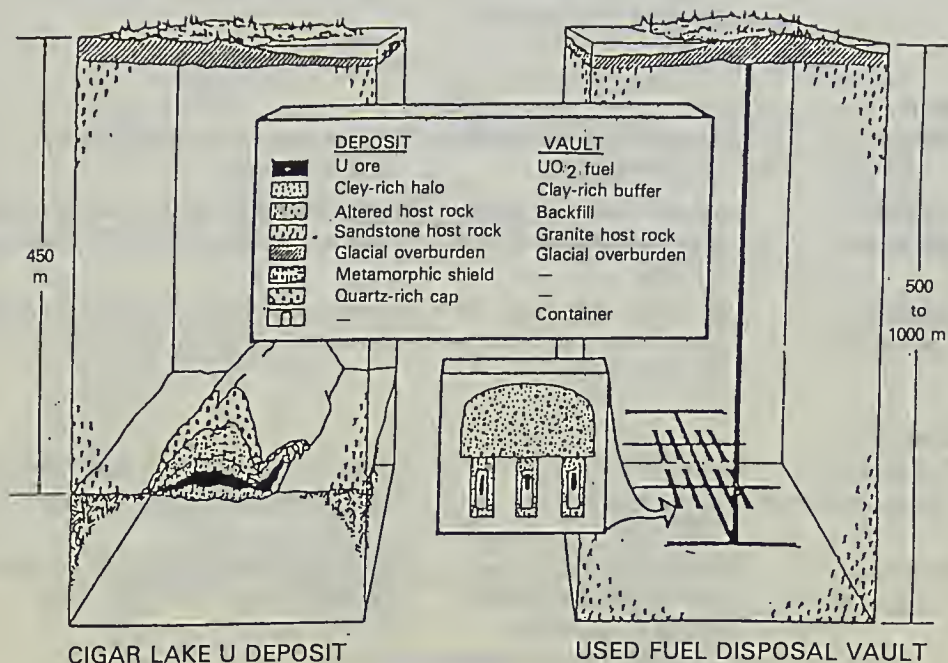
Schematic illustration of the multi-barrier system of waste containment; in this instance the Swiss concept for disposal of high-level waste.



Source: IAEA, Vienna



Figure 4



Source: IAEA, Vienna

Note to Figure 4

**Parallels between the Cigar Lake deposit and the Canadian concept for nuclear fuel waste disposal.**

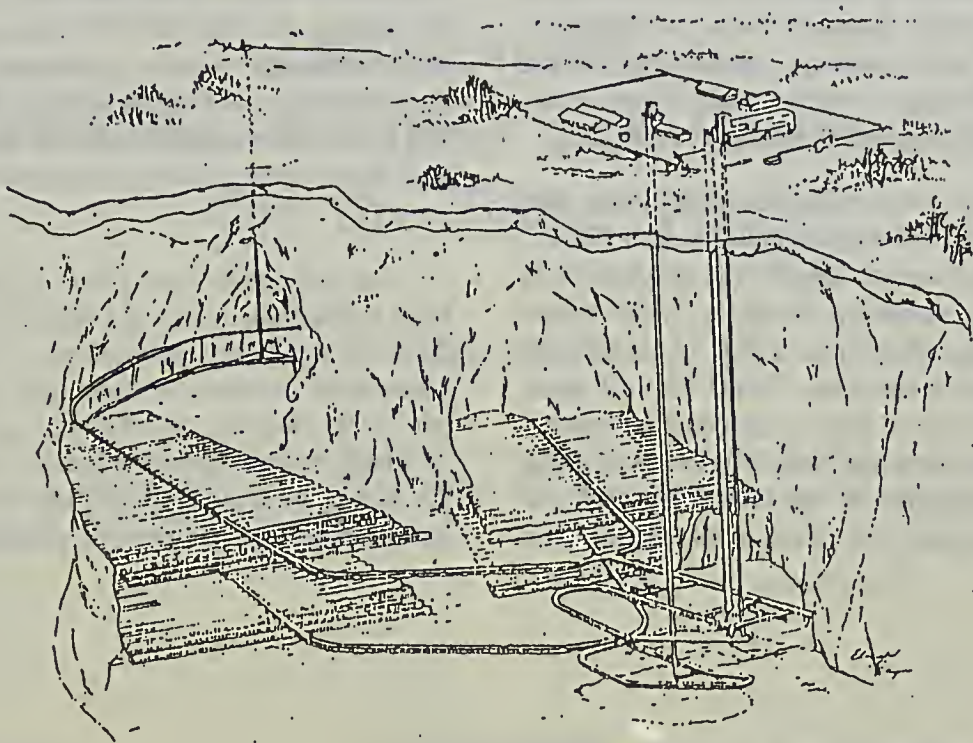
<b>Waste form</b>		
Composition	Used CANDU fuel - more than 86% by weight of uranium	Uranium ore-mostly uraninite (UO <sub>2</sub> ), grading from 12 to 55% by weight of uranium
Stable phase	UO <sub>2</sub> assumed to be stable	UO <sub>2</sub> appears to be the stable phase; it has persisted for 1.3 billion years
Inventory	1.5 x 10 <sup>5</sup> Mg (U) in completed vault	Ore reserve estimated at 1.75 x 10 <sup>5</sup> Mg (U)
Radioactive isotopes	Fission, activation and decay products	Spontaneous fission products and decay products
Dissolution mechanism	Congruent dissolution assumed	Apparently congruent; radiogenic load from 1.3 x 10 <sup>9</sup> years of decay still found in uraninite
Uranium groundwater concentrations	Solubility limit assumed; the median value is 10 <sup>-6</sup> mol L <sup>-1</sup> in reducing ground waters	Observed concentrations in present-day reducing groundwaters are less than 10 <sup>-7</sup> mol L <sup>-1</sup>

<b>Container</b>		
Material	Reference material is titanium metal which is protected by a layer of rutile	Rutile has persisted unchanged in the deposit for over $10^9$ years
<b>Buffer</b>		
Material	Mixture of clay and quartz; clay is bentonite	Clay-rich halo in sandstone: mostly illite with quartz
Hydraulic properties	Bentonite chosen to minimize groundwater flow in the vault	The clay halo plays an important role in the isolation of the ore from the biosphere
Chemical properties	Assumed to sorb many elements from water, such as Cu, U and Zn	Evidence suggests that the clay has retained elements such as Cu, U and Zn.
<b>Geosphere</b>		
Thickness of geosphere barrier	Reference depth of the vault is between 500 and 1000 m	Ore was formed more than 3 km below the surface; its present depth is about 430 m
Groundwater composition	Groundwaters below about 400 m in the Canadian Shield have salinities in excess of $100 \text{ g L}^{-1}$ TDS	Hydrothermal ore-forming solutions had a salinity of 250 to $350 \text{ g L}^{-1}$ TDS
Hydraulic properties	Crystalline host rock, such as granite is chosen to have a low hydraulic conductivity	Sandstone porosity is 10 to 100 times that of granite; hydraulic conductivities are also higher
Chemical properties	Assumed to sorb many elements from water Pb, Ra, and U are strongly sorbed	Sorbs many elements from water; Pb, Ra and U are strongly sorbed
<b>Miscellaneous</b>		
Configuration	Used fuel is isolated by a clay buffer and is located 500 to 1000 m deep in crystalline rock	Uranium ore is isolated by a clay-rich halo and covered by more than 350 m of sandstone
Colloids	Radionuclide migration due to colloids assumed to be unimportant	Colloids formed in the ore zone are trapped in the clay-rich halo
Time scale	Regulatory criteria require protection for at least $10^4$ years	Uranite ore has survived more than $10^9$ years in water-saturated rock
Thermal impacts	Predicted thermal transient of less than $100^\circ \text{C}$ will last for more than $2 \times 10^4$ years; $\text{UO}_2$ still expected to be the stable phase	Uranium mineralization formed by hydrothermal solutions at about $150$ to $200^\circ \text{C}$ for more than $50 \times 10^6$ years; $\text{UO}_2$ probably the stable phase even even at these elevated temperatures.
Environmental impacts	Regulatory criteria place limitations on impacts to man and the environment	No indications (e.g., radiological, thermal, direct, geophysical or geochemical) at the surface that the ore deposit exists



Figure 5

Conceptual diagramme of a multi-level HLW repository in hard basement rocks.



Source: IAEA, Vienna

depressed and underprivileged economically, that they in effect are being coerced into their decision by the promise of the anticipated windfall.

Temporary storage of radioactive waste must be monitored and safeguarded from inadvertent trampling by ignorant people. Hence these facilities must be manned. But people willing to work at such facilities are likely to be those who are poorly educated and financially hard-up. They consent to working under hazardous conditions in exchange for higher wages. Being not really free to make their choice, they, too, in effect are being coerced.

*Second*, since there is no way of involving the future generations in the decision making

regarding going nuclear, it is ethically wrong to export radioactive-waste risks and costs to future generations. Foolproof methods of safe-storing highly long-half-life<sup>1</sup> radioactive materials does not seem to be feasible. Storage facilities have been shown to be susceptible to hydro-geological problems, and no secure storage can be guaranteed for a period spanning hundreds of years.

Intentional or inadvertent intrusion into permanent radioactive-waste storage cannot possibly be precluded. One of the criticism of the technically very sophisticated Swedish radioactive-waste disposal concept underlies this point. In the Swedish concept, the spent nuclear fuel is encapsulated in thick pure copper canisters. The canisters are then placed

in a deep granite formation. The estimated life of the canisters is in the millions of years. Yet, a few hundreds of years from now, when wars and/or natural disasters have removed all records of this repository, people may believe they have found a terrific, pure copper mine, and decide to mine it! (Pasztor, 1989: 20).

In 1988 the total amount of spent fuel generated by the nuclear industry was 900 m<sup>3</sup>. The current annual world-wide production of high-level radioactive-waste is 7,620 metric tons (Shrader-Frechette, 1989: 1), and in the USA alone more than 17,000 tons of spent nuclear fuel have been produced and temporarily stored over the past 30 years. According to the projection of the IAEA, by the year 2005 spent fuel will come to 44,000 m<sup>3</sup>. And

by the year 2000 the figures for the UK's low, medium, and high-level radioactive-wastes, are 1,000,000, 160,000 and 4,000 tons, respectively. Thus by the year 2005 the amount of high-level radioactive-waste produced by the nuclear industry will reach about 372,550 tons. Yet a mere 10 micrograms of this highly-toxic high level waste can induce cancer!

The incredible risks posed by this high-level radioactive-waste and the exportation of these risks to future generations — which are necessarily deprived of their right to participate in the decision on whether to go nuclear — makes nuclear power ethically unacceptable. Future generations should not be penalised for the benefit of the present generation.

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# Biotechnology: Dreams, Realities and Implications for the Third World

Tikki PANG

*"We need science, more and better science, not for its technology, not for leisure, not even for health or longevity, but for the hope of wisdom which our kind of culture must acquire for its survival."*

Lewis Thomas

## Introduction

**B**IOTECHNOLOGY is rapidly becoming a powerful presence in our daily lives and, as we approach the third millennium, many are aware of its potential in alleviating some of mankind's most pressing problems relating to disease, famine, energy shortages and environmental pollution.

The aims of this paper are to discuss the scientific basis of the biotechnology revolution, its potential impact and benefits in various areas of human endeavour and existence, the realities and controversies which have been closely associated with biotechnology revolution for the Third World.

## Biotechnology: The Scientific Basis

In terms of definitions, it may be most useful to think of biotechnology as simply describing the various means by which we use microorganisms and cells (both of plant and animal origin), or components thereof, to produce substances that are useful to mankind. Although the term "biotechnology" in its current usage can be considered a relatively new term, biotechnology as a subject is certainly not new. The Sumerians and Babylonians were making beer by 6000 B.C., the Egyptians were leavening bread by 4000 B.C. and wine has also been known since antiquity. Although of course it was not known at the time, these are processes which intimately involved microorganisms, namely the yeasts.

Within the context of this paper, it is thus useful to think of "traditional" biotechnology when referring to these long-established processes and to the "new" biotechnology when referring to the recent developments. It is also

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Text of an Inaugural Lecture delivered at the University of Malaya, 28 December 1990, upon acceptance of the Chair of Biomedical Sciences, Institute for Advanced Studies, University of Malaya.

important to realise some additional features about the new biotechnology. Biotechnology itself does not constitute a single scientific discipline, i.e. a complete biotechnologist does not exist. It is a multi-disciplinary subject involving the skills of biochemists, microbiologists, molecular biologists, geneticists, embryologists, immunologists, cell biologists, biochemical engineers and computer programmers. It is also useful to point out that biotechnology simply describes a set of activities which adds value to existing industries, e.g. pharmaceutical, food, chemical, etc.

What was the impetus behind the present biotechnology revolution? Scientifically, it is largely the result of dramatic advances in molecular biology and the development of recombinant DNA (deoxyribonucleic acid) technology which was followed by its applied use in various fields of research and industry. In essence, such advances have meant that we are now able to confer desired traits to living organisms much more *specifically* and *rapidly* than by traditional methods.

It may be useful, at this point, to briefly describe the salient features of molecular biology and recombinant DNA technology, often referred to by the popular term of "genetic engineering". Molecular biology seeks to understand life functions at the level of molecules. Basically, the most important life functions of living organisms are mediated by molecules called *proteins*. For example, the enzymes that digest food and provide energy for cells, vital metabolic hormones like insulin, thyroid hormone, progesterone, and growth hormone, haemoglobin which carries oxygen throughout the body and the antibodies that provide immunity to infectious diseases; these are all proteins. On the bad side, proteins (abnormal human proteins or those from pathogenic microorganisms, e.g. cholera toxin) can cause disease: infectious diseases, cancer, thalassemia, Alzheimer's disease, etc. Proteins are made inside the body's cells in factories

called ribosomes following a blueprint found in the master molecule of life, DNA. With some minor variations, DNA (and sometimes a related molecule called RNA) is the *common* blueprint found in all living organisms from viruses to bacteria, from insects to amphibians from mice to man. The DNA which contains the coded information for making a particular protein is often referred to as a *gene* and the genes are found on the chromosomes inside a cell's nucleus. As an indication, the human organism contains about 100,000 genes, bacteria about 3,000 genes and the lowly virus may contain only 3-4 genes. The detailed nature and structure of DNA has, of course, been the subject of intensive research, culminating with the discovery of the double helix structure of DNA by Watson and Crick in 1953. Subsequent work by Khorana (1966) deduced the *genetic code*, i.e. how the information in DNA is structured and used to enable it to act as a blueprint for the production of proteins.

These events in itself, however, were just the beginning. The most important event, as far as biotechnology is concerned, did not occur until 1972 when scientists began to develop the capabilities to actually *manipulate* DNA i.e. to join up DNA from different species and create *recombinant* molecules (hence the term "recombinant" DNA). Not only that, scientists developed methods to make many copies of these recombinant molecules (i.e. *gene cloning*) and, more impressively, are able, with the help of *vectors* (e.g. plasmids, viruses), to get the recombinant DNA introduced into a host cell of choice and make the proteins encoded by a particular gene. This means, for example, that we can get a bacteria to make a human protein. Considering the rapid growth rate of bacteria and the scarcity of some human proteins (e.g. insulin), the advantages are obvious. Phenomenal progress has been made in recombinant DNA technology since 1972, a short span of only 18 years (Table 1). Insulin produced by recom-



binant DNA tecnology was approved for use in 1982.

Table 1

RECOMBINANT DNA TECHNOLOGY
1. CUT and JOIN DNA (recombinant DNA).
2. ALTER DNA (add/delete/change).
3. INTRODUCTION of recombinant DNA into host cells through a CARRIER/VECTOR, followed by propagation (gene 'cloning') and the production of PROTEINS encoded by the cloned gene.
4. Determination of DNA SEQUENCE (blueprint).
5. Chemically SYNTHESIZE DNA.
6. GENE THERAPY.

In summary, then, molecular biology and recombinant DNA technology forms the scientific, conceptual and technical foundations of the biotechnology revolution with applications in agricultural biotechnology, medical biotechnology and industrial and environmental biotechnology.

How can these techniques be applied in research into tropical infectious diseases? One area of interest is dengue haemorrhagic fever which remains an important public health problem in many parts of the tropics. What mechanisms are actually involved in the causation of this severe disease? How does the virus, following entry into a human being through a mosquito bite, actually cause bleeding and shock? In 1983, a hypothesis was proposed (Pang, 1983) suggesting that, after the virus enters and infects certain cells in the body, these infected cells are "marked" by structures on its surface, derived from the virus, which signals the body's defence mechanisms that the cells are infected. Such infected cells are then attacked by so-called "killer" cells (Pang et al., 1984, 1988). Alas, this recognition and attack also results in the release of various chemical

factors which have the capability to produce the disease's symptoms. Since the structures on these infected cell surfaces are derived from the virus (they are actually viral proteins), and are closely involved in initiating the mechanisms which produce disease, it is obvious that it would be of great interest to find out more about the blueprint within the dengue virus (RNA, in this case) which encodes the information for these structures. By applying the recombinant DNA techniques already described, this is what we have been doing for the past 5 years or so (Samuel et al., 1989, Fong et al., 1990). We now have detailed sequence information on many of the genes of dengue viruses isolated from local patients. Together with similar work in other parts of the world, what it really means is that we now know the exact gene structure for many dengue viruses, i.e. we know the blueprint for many of the proteins these viruses make, which we also know, are important in causing disease. Obviously, having this kind of information on hand, will allow us to compare dengue viruses isolated in different parts of the world, design better vaccines and thus control the disease more effectively in the future.

Now to turn to another research area, that concerned with typhoid fever. With this particular disease, we lack information about the proteins/structures on the surface of the bacteria which may be involved in its ability to cause disease. So our approach here is to clone all the genes of the bacteria which is responsible for causing typhoid fever (*Salmonella typhi*) and try to "fish-out" the important genes using blood from patients with typhoid fever. The assumption here is that the blood will contain antibodies (Ong et al., 1989), substances produced by the body's defence mechanism during infection, which will specifically recognise these bacterial surface proteins. Once we isolate the genes coding for these proteins, we can study its detailed structure and perhaps use the information to design better vaccines or diagnostic tests.



## The Promise of Biotechnology - A Panacea for the World's Problem?

Having described the scientific basis for the excitement in biotechnology (some call it a "revolution"), we should now discuss the various fields in which biotechnology will have an important impact. It is clear that it will have tremendous impact on various facets of human existence including preventing, diagnosing and alleviating human disease, better crop and livestock production, better industrial processes and more efficient monitoring and control of environmental pollution.

With regards to human health, biotechnology will enable the design and production of new and improved vaccines, novel pharmaceuticals, improved diagnostics and, ultimately, genetic therapy. Many new vaccines are being developed and the use of established vaccines (e.g. smallpox) as "carriers" for genes is an active area of research. Many important compounds have been developed for use as therapeutic agents in man including insulin and growth hormone and, more recently, erythropoietin for the treatment of anaemia in kidney dialysis patients, tissue plasminogen activator (TPA) for dissolving blood clots and interleukin-2 used in the treatment of cancer and AIDS. In relation to novel therapeutics, the emphasis has moved from the endocrine system (e.g. insulin, growth hormone) to the immune system (interleukin-2, interferons) and will, in the future, place great emphasis on the central nervous system and the development of agents to treat a variety of conditions such as Parkinson's disease, Alzheimer's disease and schizophrenia. A major effort is also underway to sequence the entire human genome (The Human Genome Project) and gene therapy became a reality in 1990. At the early stages, the potential candidates for gene therapy will be human disorders caused by defects in a *single* gene that has been cloned, such as thalassaemias, severe combined immunodeficiency, haemophilias, cystic fibrosis, Du-

chenne's muscular dystrophy, inherited emphysema, and familial hypercholesterolemia (Verma, 1990). Biotechnology is also being applied in forensic medicine with DNA profiling ("fingerprinting") being used in the conviction of criminals (Neufeld & Colman, 1990).

The long-term impact of biotechnology on agriculture will be potentially much greater in economic terms. On-going research has focused on the development of crops which are better able to withstand environmental stress (e.g. frost damage, growth under reduced moisture conditions), those which are resistant to diseases, herbicides and pesticides, those which are more efficient at fixing nitrogen and those with higher yields and/or better nutritive content. In relation to livestock, biotechnology promises to provide new and improved veterinary vaccines, increased yield and quality of products, e.g. the use of bovine growth hormone to increase milk production and the raising of pigs which grow faster and also produce leaner meat. Industrial and environmental applications of the new biotechnology include bioremediation (the use of microorganisms to deal with environmental pollutants, e.g. oil spills), microbial leaching to extract minerals (e.g. copper and uranium), the development of biosensors and alternative energy sources (e.g. biogas from the utilisation of agro-industrial wastes).

The overall benefit to the quality of human existence is quite obvious: better health, adequate food, less environmental pollution, more efficient industrial processes and, ultimately, more efficient economies.

## Realities: Concerns and Controversies

Although the potential and promise of biotechnology is undeniable, it is clear also that the reality is somewhat different and that some justifiable concerns and controversies



have accompanied the euphoria. These relate mainly to technical problems, issues of safety, possible ecological disturbances, issues of morality and ethics, and socio-economics.

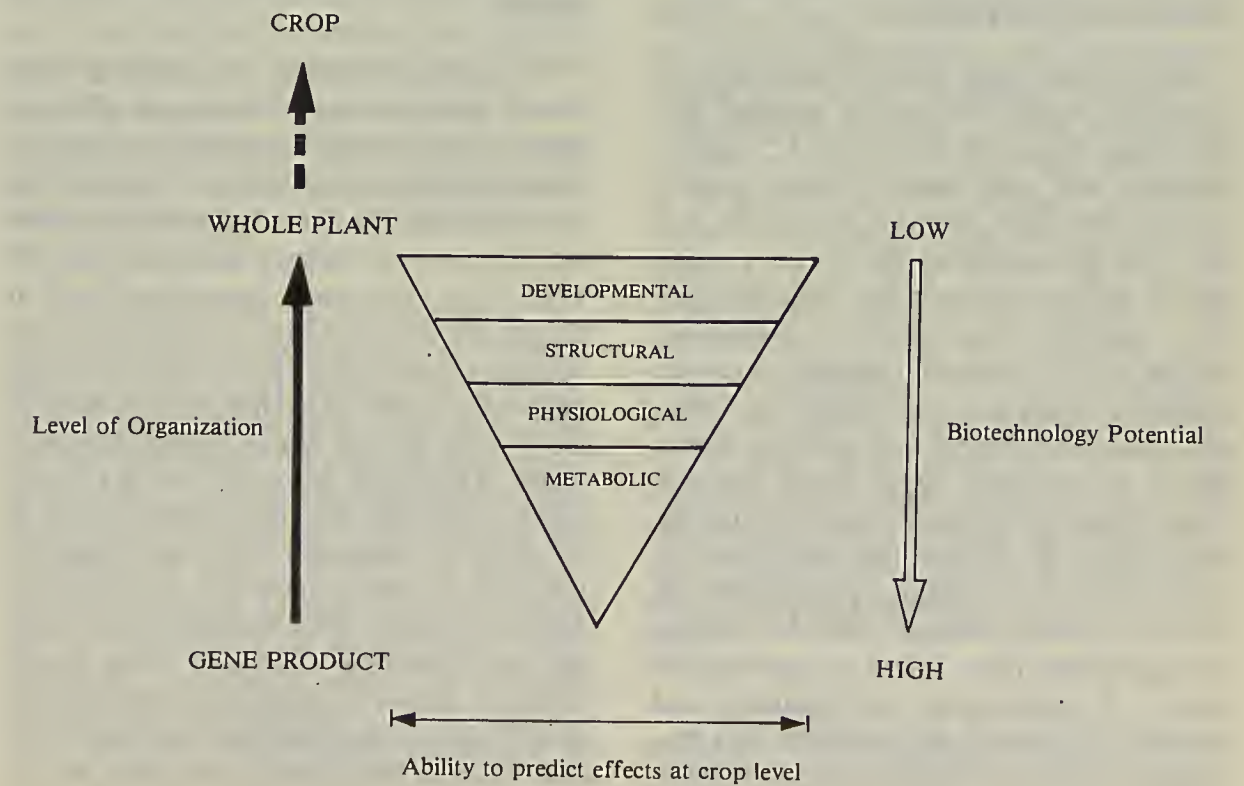
In terms of technical and conceptual difficulties, several factors are relevant. The development of many useful products of biotechnology have been characterised by high cost and long delays, often due to regulatory obstacles, before product approval. It has been estimated that, on average, it takes US\$240 million and 10-12 years to take a product to market (Eisner, 1990). In addition, the basic knowledge base is still relatively weak in some areas, notably in plant molecular biology,

which makes the more ambitious predictions seem far-off at best. Although the biotechnology potential of altering traits due to single genes are high, other, more complex traits may not be so amenable to genetic manipulation. This inverse relationship between organisational complexity and biotechnology potential is depicted in Fig. 1 for crops but is equally applicable to humans and other higher animals.

Safety issues have been the most prominent among the controversies associated with biotechnology. At the beginning of the recombinant DNA era, there were real fears for individual and public health safety as a result of the creation in the laboratory of highly

Figure 1

The relationship between biotechnology potential and the level of organization of plants. Levels of organization are framed by a triangle whose width is proportional to the ability to predict the effects of genetic manipulation at the whole plant level. The above relationships are equally applicable to humans and other higher animals. (from McCue & Hanson, *Trends Biotechnol.* 8, 358-362, 1990).



pathogenic microorganisms or pathogens with unpredictable properties. These fears have largely dissipated as a result of extensive experience and confidence with the technology over nearly two decades and a remarkable safety record. Additionally, it has also been recognised that pathogenicity is a complex phenomenon and that introduction or alteration of a single gene in a microorganism is unlikely to increase pathogenicity or turn a non-pathogen into a pathogen. In the words of Bernard Davis: "We can make ineffective monstrosities much more easily than uncontrollable monsters" (Davis, 1987). The present concern, however, relates to the environmental release of genetically-engineered organisms. There is much controversy and confusion over this subject and a consensus opinion is nowhere in sight. The main areas of concern are possible effects on ecological equilibrium if an introduced species has a selective advantage, reduced genetic diversity, effects on non-target substrates, movement of introduced genes (e.g. transfer of herbicide/pesticide resistance from crops to weeds through pollen exchange) and impact on other organisms.

Ethical and moral concerns have accompanied the many advances in medical biotechnology, especially those related to genetic screening and gene therapy. Many genetic diseases have been localised to specific loci and, with the advent of the human genome project, genetic screening may become much more precise. This precise information, coupled with the technical capability to correct or alter the defect (i.e. gene therapy) has raised some important ethical and moral concerns (Suzuki & Knudtson, 1989). These concerns relate mainly to prenatal diagnosis and the related issue of abortion, the desirability of large-scale genetic screening programmes for carriers of genetic diseases and other disease susceptibilities, often linked to problems of misuse of information, confidentiality and invasion of privacy, stigmatisation and discrimination and the ultimate criteria for appli-

cations of gene therapy. Finally, there is also some concern about the possible use of genetically-engineered organisms for military and terrorist purposes.

Another source of controversy is in relation to the possible socio-economic effects of biotechnology. Within Europe, for example, there is pressure to prove "social" needs for new technologies in addition to requiring that the products are safe, effective, and produced under stringent quality standards. This means, for example, that dairy farmers (who may not favour increased milk production by cows given genetically-engineered bovine growth hormone), could block the introduction of new technologies that threaten their economic interests. One can rightly feel concerned about this growing attitude that technological developments which encourage greater efficiency in agricultural production are socially undesirable, even though, they pose no health or environmental risk. The potential socio-economic effects on Third World economies are also important and is discussed briefly in the next section.

As a direct result of the concerns mentioned above, we have witnessed in recent years a trend towards increased regulation of biotechnology. As scientists one tends to fear over-regulation as there appears to be bias against the new technologies such as biotechnology. Government bureaucracy tends to favour the old; scientific uncertainty about both risks and benefits (always associated with newer and more innovative technologies or ideas) tends to work against emerging technologies. Is regulation desirable? This is a highly controversial and emotional question with a spectrum of responses from no regulation (most Third World countries), to self-regulation (e.g. India), strict regulation (e.g. USA) and total bans (e.g. Germany). What would constitute a rational approach? There appears to be a general consensus that we should not concentrate on the *technology* but rather on the



*product*. This means that each question of regulation should be considered on a case-to-case basis. In addition, it is important to attempt to quantify risk in each case and, most importantly, to have close community consultation at all stages of the decision-making processes.

## Implications for the Third World

There is no doubt that biotechnology has an important strategic significance in having the potential to solve or alleviate many Third World problems such as immunisable diseases, famine/malnutrition, fertiliser/fuel and economic stagnation/under-development.

The impact of biotechnology on agriculture is especially significant as the agricultural sector is usually a major contributor of export income in most Third World countries. Much of traditional agricultural production has depended heavily upon intensive use of chemicals (fertilisers, herbicides, pesticides) and fossil fuels. In view of the increasing concerns over environmental pollution and global warming due to the "greenhouse" effect, such practices are no longer sustainable. Future advances in biotechnology will offer new alternatives for improving agricultural production without adverse ecological effects on the environment.

It is thus obvious that we need to put into perspective the potential impact of biotechnology in Third World countries. What are the implications of the biotechnology revolution for the Third World? Through applications of biotechnology discussed previously, the Third World, in particular, stands to benefit from the biotechnology revolution in terms of better health and nutrition, increased food production and better environmental management. At the same time, the generally low level of scientific literacy (remember that the scientific foundations of the new biotechnology is barely 20 years old), the lack of public awareness and

the frequent absence of appropriate legislation, often make Third World countries susceptible to exploitation. We must remember that the Third World is home to the planet's most valuable and varied genetic resources. The biodiversity of tropical rainforests and coastal resources (e.g. coral reefs), much of it unidentified and under-exploited, should be guarded and preserved at all costs. Tropical rainforests, for example, contain thousands of trees, animals, insects and microorganisms which, for millions of years, have perfected means of surviving in diverse and hostile environments and are potentially valuable sources of valuable chemicals such as pharmaceuticals, foods, vitamins, crops, fibres, oil, etc. Biotechnology will offer efficient means of exploiting such resources and ultimately applying them to economic development. Another aspect is related to the fact that, due to the myriad regulatory obstacles in many developed nations, e.g. the USA and Western Europe, there may be a move to transfer the development of biotechnology (and the testing of genetically engineered organisms) elsewhere, e.g. the Third World where regulations are virtually non-existent. The recent field-testing, done without government approval, of a genetically-engineered rabies vaccine in Argentina is a case in point. The application of biotechnology to agriculture, the main source of income for Third World countries, could also conceivably lead to some serious socio-economic problems. It could mean the loss of export markets for traditional commodities, displacement of small land holders, and the favouring of cash versus food crops. At the same time, the absence of a strong science and capital base, essentially means that biotechnology development in most Third World countries will rely on imported technology and foreign investment (Trigo & Jaffe, 1990).

It is abundantly clear that biotechnology is important to the Third World, its potential benefits far outweigh the risks and, as a conse-



quence, we have to take part in the dizzying rush towards its applications. Faced with the potential problems mentioned above, what are we to do?

It is imperative for Third World countries to be prepared scientifically in order to be able to effectively judge and evaluate the benefits and risks and prevent exploitation as a result of ignorance. Scientific literacy should be developed at all levels: among the scientists, the policy-makers, the general public, even at the level of schools. Indigenous R & D efforts in biotechnology, both basic and applied aspects, must be encouraged and supported. Such research, wherever possible, should emphasise the study of local resources. Through this approach of scientific self-sufficiency many advantages can be gained including adding to the world body of knowledge, better appreciation of unique resources, education of scientists, a scientifically-literate populace and enrichment of culture. In addition, the many controversial issues associated with biotechnology need to be considered and discussed by all levels of society and thought given to the development of a framework and mechanism to evaluate and implement the possible benefits of biotechnology in the context of local socio-economic and cultural conditions. It is imperative that this should involve all components of society including scientists (those involved with biotechnology, ecologists, environmental scientists), economists, social scientists, policy-makers, religious and community leaders and the general public. A rational, non-emotional approach is needed to effectively deal with these issues so that biotechnology will benefit all mankind in the coming millennium.

## Summary and Conclusions

In summary, then, the technology is here, the genie is out of the bottle and it is too late to put it back! The potential benefits are enormous but there are real risks and concerns.

It would seem, however, that the potential benefits far outweigh the risks. The Third World, in particular, stands to benefit a great deal but has to be scientifically prepared to assess the benefits and risks and the possible economic impacts of biotechnology.

It is clear that biotechnology has given us an extremely powerful tool to transform human lives. It is a good example of the potential power of science in overcoming poverty and to solve underdevelopment; in the words of Jawaharlal Nehru, India's first prime minister and a scientific visionary: "I see no way out of our vicious cycle of poverty except through the means that science has placed at our disposal..." At the same time, one wonders whether, in the case of biotechnology, the technology has actually developed faster than our meagre capabilities to spiritually deal with the issues already discussed, not just the technical/scientific issues of safety and economics but, more importantly, those of morality and ethics. As Varindra Tarzie Vitacchi reminds us: "When man's wisdom is overtaken by the cleverness of his tools, he is in trouble" (Vittachi, 1984).

What of the future? The prediction of future events is always risky and it is unclear whether we will be able to effectively deal with the relevant issues so that biotechnology will benefit all mankind. It is quite clear, however, that we must be spiritually better prepared, in other words, we need to better understand ourselves, what it means to be human. Scientists are often accused of hubris, of playing God and tinkering with the nature of life itself. The biotechnology challenge has indeed been a humbling experience in that it has taught us that scientific advances alone is not a universal cure-all to the world's problems and that moral and spiritual development must occur in parallel. It must be stated, however, that what we have witnessed over the last two decades in relation to biotechnology vindicates the value of scientific research as an important



human endeavour. It is crucial for the future of mankind that the preoccupation with scientific research be continued, in parallel with moral and spiritual development. Basic research in the biological sciences promises much more than just the conquest of disease, improved agricultural production or a less polluted environment. As we find out more

about the basis of life's processes in general, perhaps we will learn more about ourselves. Lewis Thomas succinctly summarised it thus: "We need science, more and better science, not for its technology, not for leisure, not even for health or longevity, but for the hope of wisdom which our kind of culture must acquire for its survival ..." (Thomas, 1979).

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## Book Reviews



### The Cambodian Agony

*The Cambodian Agony*, edited by David A. Ablin and Marlowe Hood. New York: M.E. Sharpe, Inc., 1987, 418 pages. This review article is written by Edy Prasetyono.

THE Pol Pot government has left behind the darkest social and political legacy to the Cambodian people. It tried to apply an unique and total revolutionary model for a society transformation towards peasant-based socialism; a revolution in full spate. Total, progressive, and militant approach had resulted in profound social changes. Core units of society - families - were sent to farm labour camps. The solidarity and function of the family were reduced to collectivization. A family no longer formed a private economic unit with its own property, management of its day-to-day production and consumption; it became submerged into larger work team whose efforts and produce were completely regulated by state. For the collectivization, members of family were separated from each other, and many of them were executed in concentration camps. The existence of family then was replaced by emergence of another

kind of social unit that was unprecedented in a rural community - association. The most important association was the Youth League. Reward and punishment in political indoctrination were strictly applied in the association.

The Democratic Kampuchea (DK) government's idea of building a peasant-dominated socialist society required mass mobilisation of the population, including urban dwellers and professional groups, to build agricultural facilities and other infrastructures. The mobilisation was followed by a forced formation of new groups based on mode of production and social interactions of such a society; groups of solidarity for increasing production (*krom samaki bongkar bankaoeut phal*). The separation of family members and formation of new groups led to their alienation from former families and traditional communities that in turn resulted in the development of loyalty to army, party, and state.

The Buddhist religion was also suppressed. Traditionally, Buddhism is the religion of Cambodian people. Its practice was dis-



couraged in pre-1975, and then completely banned by the Pol Pot government in the end of 1975. They classified Buddhism as being a reactionary religion detrimental to Democratic Kampuchea and the Kampuchean people. As was the case with the family, Buddhism was replaced by revolutionary ideology association.

The failure of the economic revolutionary reformation and massive oppression had resulted in depopulation and a changed demographic structure. There was a sharp decline of birth rate, a precipitous rise of mortality rate, and mass emigration. According to UN's official data, Cambodia's population in 1974 totalled 7.92 million, in 1979 its population declined to 6.75 million. Many women became widows. The demographic structure was characterised by the shortage of the male population. The Cambodian tragedy left a deep psychological trauma to its people.

The continuing civil war after the overthrow of the Pol Pot government in 1978, posed more complicated problems to the new government (Heng Samrin regime). Some efforts had been made for the recovery of the population, restoration of the existence and function of the family, and the practice of the Buddhist religion. However, the efforts made by the government and international relief agencies, especially UNHCR, hardly improved the social and economic condition of the Cambodian people. From the political perspective, the failure was due to the persisting conflict of interests between socio-economic considerations and politico-strategic interests of the parties concerned. In addition, the involvement of outside powers have brought about some implications beyond its national boundary consideration. The complexity of the resolution of the Cambodia problem definitely emanates from intermingled differential interests of domestic and external parties. And to a large

degree, there were predominantly external interest considerations on domestic factors.

From the international relations perspective, the fact mentioned earlier have led an analysis with the emphasis on the interests involved in the Cambodia problem. A distinction should be made between balance of power and conflict-termination interests. The policies based on the strategic assumption of creating a favourable balance will not necessarily end the conflict. There is a need for solving the conflict, but it does not seem to be an important consideration for the involved parties, especially Vietnam, China, and Thailand, as the solution may create unfavourable balance in the region. As for Vietnam, its Cambodia policy is an attempt to prevent China from dominating the region. The protracting conflict provides a political and strategic reason to China and Pol Pot to continue posing a threat, thus justifying Vietnam to strengthen its position in Indochina. From the Thai and Chinese perspectives, since Vietnam occupies Kampuchea with Soviet support, the continuing conflict provides the opportunity to trap Vietnam at considerable costs both economically and politically, and isolate the country internationally. This will weaken Vietnam. The solution of the Cambodia problem is very complicated. It appears that there is no easy solution to the problem that leaves the Cambodian people in long agony.

*The Cambodian Agony* contains 15 articles that were originally presented at an international conference, *Kampuchea in the 1980s: Prospects and Problems*. The conference was organised by the editors and held in November 1982 at the Woodrow Wilson School of Public and International Affairs, Princeton University.

Most of articles in this book is based on field research findings conducted by the contributors in Cambodia before and during



Pol Pot government era until the early years of Heng Samrin's government. The book is valuable in that it provides us with primary resources and data. However, the book entitled, *The Cambodian Agony*, does not provide a comprehensive analysis about the social and political sources of the

Cambodian conflict. In addition, without any intention to be little this contribution, the book should have included some perspectives from Indochinese scholars or local people for a comparative analysis of the Cambodia problem.

## Indonesian Religions in Transition

*Indonesian Religions in Transition*, edited by Rita Smith Kipp and Susan Rodgers. Tuscon, USA: The University of Arizona Press, 1987, 304 pp. This review article is written by Anne Greene Ph.D.

RELIGION is an important characteristic of human society. Similarities can be found between religious customs and evolution in countries as far away and different from each other as Indonesia and Haiti. The *Sa'dan* Toraja of Sulawesi hold the *Ma'bugi* ritual to restore the balance of nature. The *Kaharingan* in Central Kalimantan, acknowledge an ill-defined supreme being but are more directly involved with the spirits. There is a female spirit who is known to relish pretty things, and sacred trees that need to be protected. These observations could be made equally well of *Voodoo* in Haiti. In *Voodoo*, there is an impersonal god, known as *Le Bon Dieu*, or The Good God. In addition, there are lesser entities, the *loa*, or spirits, who are intermediaries from God. A preoccupation of *Voodoo* believers is keeping the *loa* satisfied, which is done by "serving" them. There are two classes of *loa*, distinguished by their dress, culinary tastes, and personalities. Some are good and some are bad, but all of them can cause problems if not properly

"served".

In West Sumba, a *Kodi* male who has been educated by Protestant missionaries, is upwardly mobile, more likely to have a good job and prestige that will allow him to acquire more than one wife. However, the *Kodi* people resisted when the missionary insistence that they renounce their indigenous religion entirely. A Haitian who has been educated by Protestants will have similarly improved job opportunities and be viewed as honest, upright, and hardworking. Many Haitians attended church and "served the *loa*," until the Protestant and Catholic churches forced them to make a choice.

Other examples of religious practices in Indonesia can be found in *Indonesian Religions in Transition*, edited by Rita Smith Kipp and Susan Rodgers, and published by the University of Arizona Press in 1987. This compilation of essays written by thirteen scholars is concerned with religious change in Indonesia. The chapters are based on papers, presented at the tenth annual Indonesian Studies Conference at Ohio University in 1982, many of which report on dissertation fieldwork conducted throughout the archipelago between the mid-1970s and early 1980s.

The subject of this book is fascinating and important. Indonesia is a fertile area for



study with its more than six thousand inhabited islands, its three hundred ethnic groups, its ancient and diverse cultures, and its range of religions, which include most of the major ones and myriad local faiths. In addition, public policy encourages conformity and religious assimilation. With independence, President Sukarno sought to unify the new and seemingly unwieldy nation through the five guiding principles of *Pancasila*. These principles include belief in one God, nationalism, humanitarianism, social justice, and democracy. His religious goal was to encourage Indonesians to leave animism and polytheism and join one of the mainstream religions—away from animism and polytheism. Clearly, many Indonesians have not followed his recommendation. They continue to practice traditional religions in their entirety or in a modified form; some who have presumably left traditional religions are still influenced by them. Not many people venture into the ocean at Pelabuhanratu, West Java because *Nyai Loro Kidul*, a resident Sea Goddess, is known to pull swimmers out to sea. Important political decisions in Jakarta are purportedly reached after consultation with religious hermits inhabiting a sacred mountain in Java.

According to the editors of the book, its purpose is to investigate the role of religion in society, syncretism, and the process of conversion. Divided into two sections, the first is concerned with how religions change, and it contains chapters on story telling in Timor, trance and purification ritual among the Toraja, local ritual and sufism, and the influence of Christianity on local cultures. The second is involved with the politics of religion, and it consists of chapters on Islamic influences on the legal system, and the fusing of national and local religious values. At the end of the book, there is a twenty-two page bibliography of related works, dating from the 1950s to 1982.

*Indonesian Religions in Transition* offers some interesting insights on traditional religions in Indonesia. Joseph Weinstock, in his chapter, "Kaharingan: Life and Death in South Borneo," found that religion in what is now known as Central Kalimantan was an integral part of the daily life of the people, providing a social focus for dealing with the community. Janet Hoskins, in "Entering the Bitter House: Spirit Worship and Conversion in West Sumba," observed that religion was also a part of daily existence for inhabitants of West Sumba, who distinguished their religion from those of the Christians by observing that Christians only practice theirs once a week. Hoskins also identified the point at which the previously coexisting religions of this part of Nusatenggara Timur clashed. For the Kodi, it occurred when the Christian churches began to insist on active conversion.

In a brief, and amusingly written chapter, "Mortuary Tourism in Tana Toraja," Toby Alice Volkman describes how the Dutch Reformed Mission attempted to convert the Toraja by separating rituals from meaning and custom from conviction, especially in the funeral ceremonies. Beginning in 1969, Indonesia's Five Year Plan called for the development of tourism. This led increasing numbers of tourists to visit the Toraja to see their rituals. The Indonesian Minister of Religion subsequently sanctioned the Toraja religion, giving it an official name, *Aluk to dolo*, or "the aluk of the ancestors," and, in so doing, brought an end to the missionary activities.

Jane Monnig Atkinson's chapter, "Religions in Dialogue: The Construction of an Indonesian Minority Religion," provides important background on post-Independence Indonesian public policy toward religion and gives a brief analysis of the terminology used in *Pancasila*. The Indonesian word *agama* is derived from Sanskrit and refers



to "a traditional precept, doctrine, body of precepts, collection of such doctrines." It is a name given to the scriptures associated with the sectarian worship of Siva, Sakti, and Vishnu. Christianity and Islam adopted the term and shaped new associations while reinforcing others. Atkinson argues that while the religious charter appears to be a cultural model for inclusiveness, its application is exclusive, covering only the major religions that are presumed to be monotheistic, have a written scripture, and transcend ethnic boundaries. She adds that the word for God, *bertuhan*, used in the *Pancasila* document is deliberately monotheistic, conveying a notion of progress, modernisation, and adherence to nationalist goals; the effect of which is to alienate people who do not adhere to one of the officially recognised religions. The Wana of Southern Sulawesi are a case in point. Although they are self-conscious and defensive in the presence of people who smugly champion mainstream religions, the Wana have not changed religions. Atkinson finds that the Wana practice neither a major religion nor an isolated traditional one. Instead, their religion is a synthesis of local cultural traditions in dialogue with a world religious system. She concludes that since culturally defined religions pattern themselves so sensitively to the wider social and cultural systems in which they are imbedded, there is room for further reflection about cases of religious development elsewhere.

In "A Rhetoric of Centers in a Religion of the Periphery," Anna Lownhaupt Tsing interprets a seemingly nonsensical speech delivered by a local *Dayak* religious leader in Southeastern Kalimantan. Certain words and phrases indicate that the *Dayak* are concerned about the issues assumed to be the domain of more urban and sophisticated societies. Among the matters troubling them are religious legitimacy, ethnicity, the role of the state, and Islamic influence.

It would have been a pleasure to give *Indonesian Religions in Transition* an unqualified endorsement. Although the book makes a contribution to knowledge about religious customs and change in Indonesia, it has serious shortcomings. They are principally editorial. It is not an easy task to turn papers delivered at a conference into a compelling book.

Some of the chapters should have been cut out entirely. One was particularly disjointed, ending abruptly with an endorsement of the 1974 Indonesian marriage law. There were instances of quaint and laboured English, suggesting that the writers had been out of the country too long and were grappling with their mother tongue. Some Indonesian words and terms were used without being defined, such as *kapok* logs, *deata* spirits, and "white blood" of high nobles. It is possible that the book was targeted to anthropologists, but that was not stated. In many instances, the authors appeared to be directing their remarks to other anthropologists. One contributor wrote that he was looking at "the much ignored question in anthropology of religion: why trance rituals can also be purification rites." Another analysed an eleventh century poem for trace Indian influences. There are numerous arcane references to other anthropologists' observations, such as "The ritual performances in this way 'momentarily make explicit what is otherwise a fiction' (Leach 1954:16)."

It is clear from *Indonesian Religions in Transition* that the followers of traditional religions in Indonesia are being pressed religiously and politically to abandon their indigenous beliefs. Relatively little has been written about this topic; not surprisingly, the existing literature tends to focus on Islam. We may hope that the contributors to this book will follow up on their studies and that their work will inspire additional scholarship in this subject.



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